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Putting the right IT Service Strategy in place for your business

A best practice guide for IT Professionals

Contents

Introduction

Businesses are always changing, and business change always impacts the IT department and those services it provides to both users and business customers.

IT professionals must constantly work to understand change taking place in the business they are a part of.

Quite often where there is major change, complexity and risk come associated. Many businesses deliver significant change through formal projects, in which IT usually have a major part to play.

At Wanstor, we have seen businesses sometimes fail in these projects or find themselves unable to support standard operational activities whilst undertaking programmes of change.

This is one of many reasons why outsourcing your IT Services to a Managed Service Provider (MSP) is a good idea. An MSP can help to service business as usual, IT incidents, events and programmes of work – all whilst your internal IT team concentrate on delivering business and IT change which will truly deliver value.

At Wanstor we follow an ITIL–based approach to IT service management, with five key areas that need to be addressed for a business to have a successful IT service function in place: Strategy, Design, Transition, Operation and Continual Service Improvement.

In this paper, we will be focused on developing the right IT service strategy for your business. Based on our 15+ years' experience in dealing with a wide range of customers across several industry verticals, Wanstor understands that developing an IT service strategy is probably one of service management's most controversial topics.

Everyone has a different view on it, and this view changes depending on the industry or the company we speak with.

Yet everybody we speak to agrees, it is an important step that a business has to take if the right IT services are going to be put in place to enable business success.

What do we mean by strategy?

A strategy is a plan of action designed to achieve a particular goal.

To be successful, a strategy has to be adaptable based on changing conditions.

In every case, a successful strategy depends on taking a perspective which encompasses a range of views and factors both internal and external to the business.

Then the business needs to put a plan in place to achieve goals and objectives based on a thorough assessment of the current situation and the anticipated future situation. The plan then needs to be flexible enough to adapt to an ever-changing environment.

As an IT professional your ultimate goal is to move IT from being just an operational aspect of the business to being a strategic contributor to business success. A truly IT enabled business should mean IT operating as a siloed department is a thing of the past.

Collaboration across the business, value chains, and investment decisions by IT need to be architected to support the overall business strategy.

The assets, resources, and capabilities for which the IT team are responsible are elements of the overall, complex IT infrastructure, and any actions you take may have an impact on another area.

Take a broad outlook, and for everything the IT team does, consider how their actions will affect the entire IT infrastructure.

Think about your ability as an IT team and how your actions will affect your customers and the business as a whole.

By adopting this approach the IT team will be able to develop a clear strategy which will provide value back to the business.

IT Service Strategy Principles

To create business value, it stands to reason that you require a solid understanding of how different facets of service management connect.

Additionally, it's essential to understand what your core competencies are as an IT team and to evaluate how you focus your resources for business and end user value.

For example, consider a business in which suppliers are critical to success. If you outsource the management of an application that helps manage suppliers, you lose knowledge and expertise. If supplier performance issues arise, you are at risk because you've lost the expertise to manage them.

If your IT team do not differentiate themselves through better services and a more efficient operation, there is little to prevent competitors from replacing you.

The reverse of this is that you may have deployed operating systems, architecture and applications which the IT team do not have sufficient knowledge of or time to investigate.
Therefore, outsourcing the management of these elements within IT to an MSP with a deep understanding of IT service strategy may actually help your business.

One important point ITIL raises is the need to have a strategy in place to make sure that the IT services you provide to your business are differentiated.

IT Managers can achieve this by having a solid understanding of the business and overall industry, the desired business outcomes, and why these outcomes are desirable.

At Wanstor, we believe IT service management should be viewed as a strategic asset to your business. To develop IT service management as a strategic asset, map out the value network that you operate, including components within your business as well as external customers, suppliers, and partners.

Then, create a feedback system in which you use information gained from your present service offerings to enhance your offerings in the future.
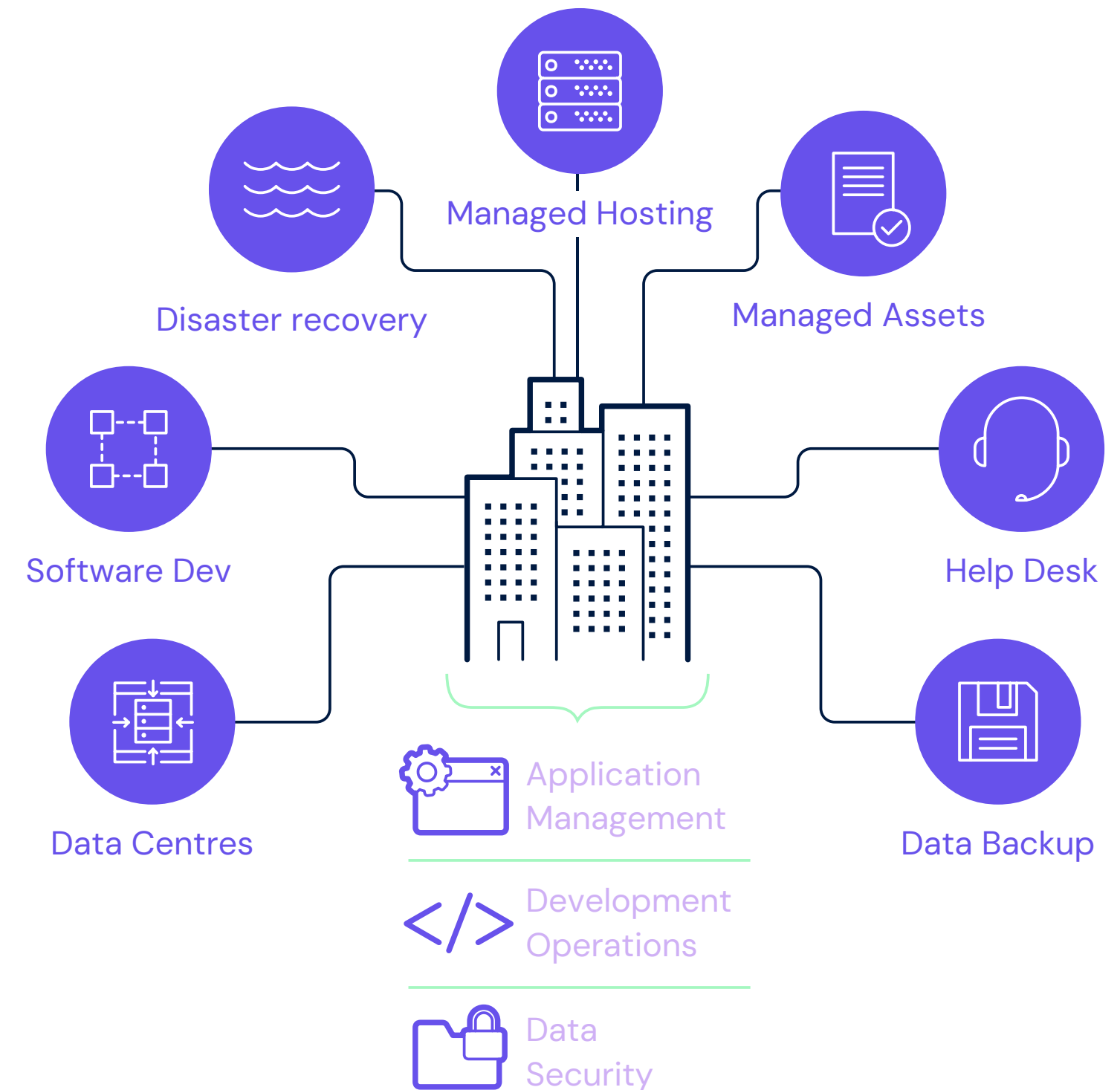
What should you outsource?

Based on your portfolio, which services should your IT provide internally and which should they outsource?

At Wanstor, we believe IT departments should retain certain core functions they need to maintain the business, but should explore outsourcing IT services which could be provided more cheaply and effectively than internal teams provide.

In creating an IT service outsourcing strategy, IT Managers need to balance benefits against risk and levels of control. Firstly, they need to define desired outcome, such as reduced cost, improved service quality, or reduced risk. Then analyse internal service management competencies, compare those with industry benchmarks, and assess the IT team's ability to deliver strategic value.

Sourcing services from multiple providers is considered good business practice, maintaining a strong relationship with each provider whilst spreading risks and reducing costs; the downside is, managing multiple providers can be timely with variations in service levels occuring as one service provider may be ahead of another in terms of technology and customer management maturity.

Outsourcing IT functions as a strategy

Managed Hosting

Disaster recovery

Managed Assets

Software Dev

Help Desk

Data Centres

Application Management

Development Operations

Data Security

Data Backup

Is ROI the real measure of success?

There are a variety of ways to evaluate IT's contribution to your top-line growth and bottom-line results.

But is there a clear, proven method to understand the return on IT investments?

Can IT Managers really believe return on investment (ROI) analysis? Generally, ROI is a measure of the profitability of an investment. It measures the costs of the investment and the resulting benefits.

ROI is an attractive and often used tool for IT investments, because it is adaptable. IT Managers can use ROI to measure cost reduction, improved efficiencies, increased productivity, and streamlined business growth, and to quantify the value of mitigated risks.

There can be ROI internal to IT (e.g., a server consolidation project to deliver the same services and service levels at lower cost) and business ROI (e.g., the revenue growth anticipated from a new order management software project or added server capacity to the order management service).

While both are critical, it is often the lack of clear business focused ROI that frustrates IT's attempts to communicate its value to the business. This makes justifying investment priorities more difficult.

At Wanstor, we believe IT Managers should develop business cases with business focused ROI for IT services which require commitment from the business.

> **Quantifying future value in business projects is an opportunity to drive more effective collaboration between IT and the wider business**

Quantifying expected or realised business value from business services requires a deep understanding of business processes, resources, goals, and challenges, as well as a grasp of how a proposed improvement from technology can impact the top line, bottom line, or risk profile.

While it can be challenging to quantify future value in business projects, it is a critical discipline to understand and master as part of strategy development. It is also an opportunity to drive more effective collaboration between IT and the wider business.

In calculating ROI for a proposed IT investment, Wanstor suggests IT Managers use the following 4C methodology in collaboration with their chosen managed service provider in order to assess and prepare for any such outlay within IT:

1. **Credible**

   Consider the following when evaluating believability of the ROI analysis: Where did the data come from? Can you back it up with statistics? Has the model been validated by independent research? If so, how recently? Has it been used by other companies in your industry? Were results validated by a post deployment ROI study?

2. **Conservative**

   The ROI model should account for potential risks. Benefits should correspond to the appropriate implementation phases, keeping in mind that benefits may not actually be realised the moment your solution is implemented. Does the managed service provider back up cost reduction or performance improvement numbers with actual documented data? Are the savings based on realistic costs for your industry and geography?

3. **Customer**

   Does the analysis which you undertake reflect your business and how investment can and will influence your desired business outcomes? For example, If the desired business outcome is increased revenue, then the model should show how investment will, in fact, help generate revenue – not how it will reduce costs.

4. **Comprehensive**

   The bottom line is to ensure that costs you account for include all major purchase components (software licenses, required hardware, maintenance costs, training, consulting and other internal costs), and that benefits cover not only cost reductions and other IT benefits but also bottom-line improvements (lower cost of goods, lower cost of sales and staff productivity enhancements), top-line improvements (revenue increases and market share growth) and risk reduction (greater operational consistency and more accurate revenue forecasting).

In addition to an ROI analysis, Wanstor also recommends undertaking a business impact analysis (BIA). A key benefit of conducting a BIA is an understanding of what is most important to the business.
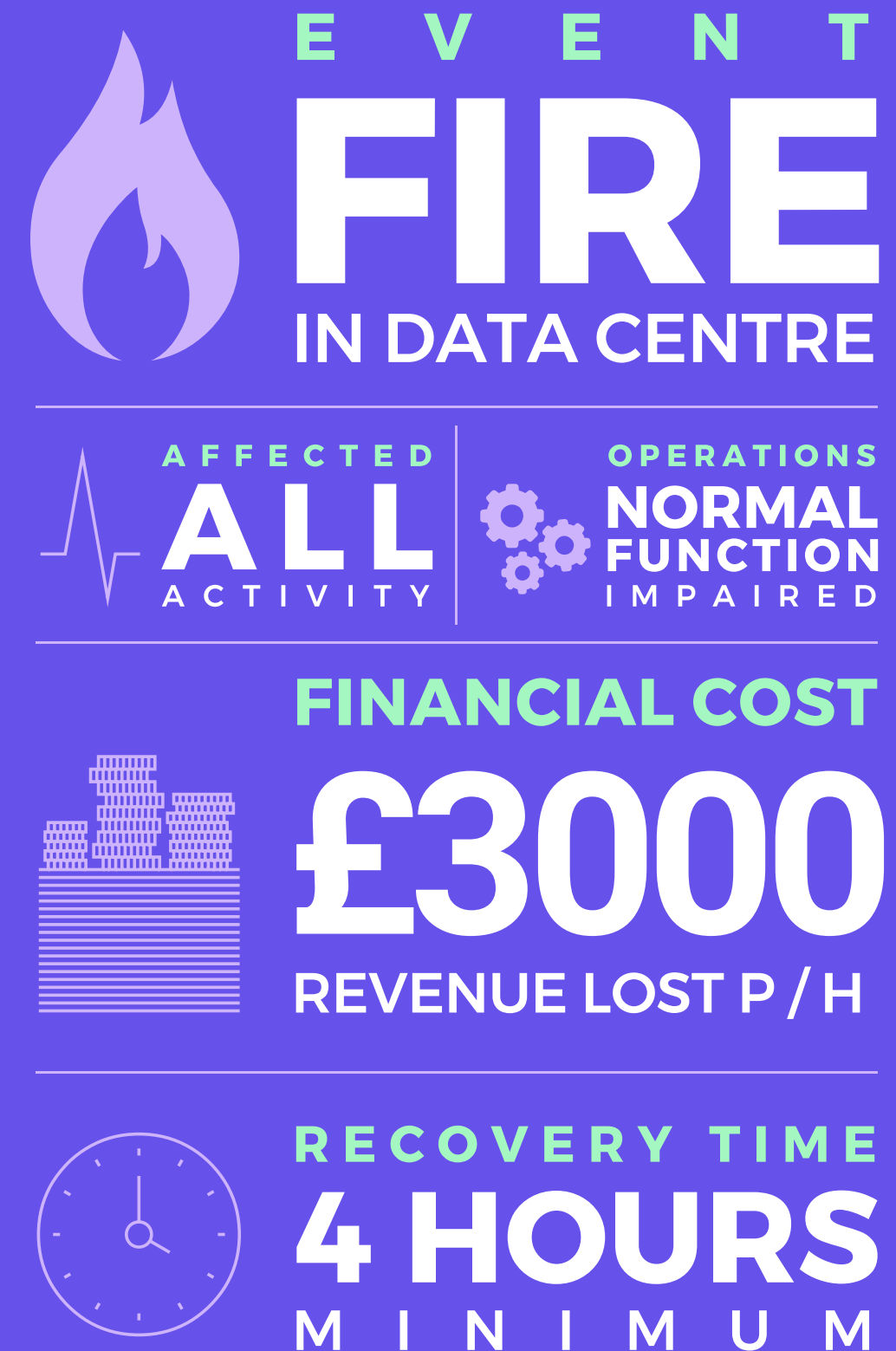
Information attained from the BIA helps to ensure you are supporting management software priorities and IT services based on business criticality.

For example, if infrastructure simultaneously experiences two outages, IT Managers will then know which to focus on first, based on business impact.

In summary, defining services for business outcomes will help to ensure that your IT department understands business needs and that services provided support a business goal.

Clear principles and guidelines, communicated through a well-defined vision and mission statement, offer the business and its IT a common goal.

It is important that IT Management has a single-minded focus on user perspective and those business outcomes which the user desires, whilst adopting a continual improvement approach to service provision so that it is constantly enhancing and differentiating IT's offering within the organisation.

EVENT
FIRE
IN DATA CENTRE

AFFECTED
ALL
ACTIVITY

OPERATIONS
NORMAL
FUNCTION
IMPAIRED

FINANCIAL COST
£3000
REVENUE LOST P / H

RECOVERY TIME
4 HOURS
MINIMUM

Understanding service strategy processes

A successful strategy not only creates value for users, the business and its customers but also shows the IT team is doing its job in supporting the business and the customers it serves.

At Wanstor, we believe the key processes of service strategy are represented by the following:

+ Service portfolio management

+ Financial management for IT services

+ Demand management

+ Business relationship management

We will give a brief overview of these areas in the content that follows.

Strategy Management for IT Services

To support the businesses requirements, the IT Manager will want to manage IT services from an enterprise perspective.
It's not enough to align IT with the business; IT should also integrate with the business.

The strategy management process defines and maintains perspective, position, plans, and patterns. These relate to services as well as management of the businesses IT services.

Executive accountability and responsibility are key for this process. Additionally, each business unit needs to buy in and support the strategy. The strategy management process consists of strategic assessment, strategy generation, strategy execution, and continual service improvement.

In the table below, we have summarised important tasks executed by individual components within the strategic process.

STRATEGIC ASSESSMENT	›	Analyse internal and external environment to define strategy service valuation	›	Define Market Spaces	›	Identify factors for success within the industry	›	Establish your objectives	
STRATEGY GENERATION	›	Determine your perspective or vision or mission	›	Form a position and appropriate policies	›	Plan how to achieve objectives, vision and position	›	Define actions and factors determining critical success	› Focus on service portfolio, financial management, service design, transition and operation
STRATEGIC EXECUTION	›	Manage services	›	Align services with customer assets	›	Optimise factors for critical success	›	Prioritise investments	
CONTINUAL SERVICE IMPROVEMENT		Measure and evaluate							

Service valuation

Service valuation is the strategic assessment of the service in financial terms, and is agreed by the service provider and the customer. The IT Manager should calculate a value that is fair and that supports the costs of providing the service.

Wanstor suggests the IT Manager starts by determining the provisioning value, which includes all of the costs IT incurs to provide the service. Then, assess the service value potential, or the user's perceived value of using the service. From experience of providing IT services to over 100 customers, Wanstor recommends that IT Managers pay close attention to advice covering fair value.

Many times we have seen customers try to provide IT services cheaply with high ROIs, only for them to fail after 12 to 18 months with support mechanisms not having been deployed and managed correctly.

We believe it is better to over-invest at the outset of an IT service in ensuring everything is set up correctly and the service can be provided to the business correctly, then cut back on costs if required rather than risk a whole outsourcing contract from going wrong due to under investment at the beginning.

Why do you need a service valuation?

One way to think about the IT contribution is in terms of its success in converting cash (i.e. budget) into business value. Service valuation is important because the IT Manager will need to make sure that the value generated exceeds the budget used to provide the service.

It is also important from a trending point of view to show to the business that, over time, IT is delivering increasing value.

Service Provisioning Model

To help with a service valuation, it is helpful to assess the financial implications of various service provisioning models. At Wanstor, we believe three models exist around the provisioning of IT services.

01 **A managed services model**

The business unit funds the provisioning of service(s) which it requires.

This model is typically the most expensive, since a single entity bears all costs.

02 **A shared services model**

IT provisions multiple services to one or more business units through the use of shared infrastructure and resources.

This model results in significant cost savings over managed services through extended utilisation of existing resources.

03 **Utility-based provisioning**

This model maximises a combination of services over the same infrastructure so that a greater number are provisioned using the same resources as in a shared services model.

This model provides services based on how many, how frequently and at what point a customer requires them. It is the most cost-effective (and the most elusive) approach.

Ready for execution

To create an effective IT service strategy, the IT Manager must analyse each market space, major customer, and service portfolio. This will provide a snapshot of the current strategic position, and also determine which additional strategic positions might be appropriate. Data from customer surveys, service-level reviews, industry benchmarks, and competitive analysis will help.

Next, the IT Manager should define businesses unique capabilities. Consider those most distinctive and most profitable services. Who are your most satisfied customers? What is the major source of businesses revenue?

Set objectives to identify results expected by pursuing the service strategy. This requires an understanding of desired user outcomes, as well as outcomes currently underserved. Finally, align service assets with user outcomes. Keep in mind the goal of maximizing customer value while minimising your own risks and costs.

Next, the IT Manager should list critical success factors (CSFs), which will influence the plan's success. What must succeed for the strategy's success? To define CSFs, consider factors such as customer needs, competitors, compliance issues, suppliers, industry trends and technological advances. Understanding the CSFs will help identify the service assets needed for the service strategy.

Service Portfolio Management

Service portfolio management (SPM) is a means by which the IT Manager can dynamically and transparently govern resource investment. The goal of SPM is to maximise value to the business while managing risks and costs. This is possible by viewing the business impact of resource allocations across the portfolio of services.

The service portfolio describes the collection of services provided across customers and business outcomes. It provides a common way of looking across IT services for functionality. How do you deliver value? To which users do you deliver value? What are the shared sets of business outcomes (i.e., market spaces)? Which resources are needed to provide which services?

The IT service portfolio should cover services currently offered, new services, approved enhancements and retired services together with any third-party services that are integral to service offerings to users. It should always align with your IT service strategy.

SPM enables the IT Manager to better allocate resources, and determine where investments in additional services should be made.

If the IT Manager understands the costs of the services being provided, they can make better investment decisions.

Service Portfolio Management for Better Decision Making

SPM seeks to optimise IT resource investments for business value and service cost across the different user groups IT serves. A governance discipline both informs and receives inputs from virtually all service management disciplines.

SPM correlates the realized and expected value of what IT provides to all its business customers. It incorporates inputs from financial management (e.g., service costs) and ROI (e.g., service value), which in turn get their inputs from across the service lifecycle.

SPM governs IT investment by helping to translate what IT does into business context, relating technical assets and activities to business value by breaking the problem into two categories: supply and demand.

This achieves a demand-side, top-down picture of a business service. It does this by documenting how it interacts with business customers' assets and business processes to generate business outcomes, such as revenue generation, business cost, and risk reduction.

A demand-side view reveals what aspects of the business service users value, and the size of this value. The demand-side view of business services requires and drives significant collaboration with the business. It is a critical component of transparency in decision-making with business customers.

By working with business counterparts, the IT Manager can improve the services the business needs. What's more, they will be able to accomplish it at a level of utility and warranty that justifies the cost.

Through collaboration, the IT team will gain new insight and opportunities to consult the business on where services can drive innovation and competitiveness. A supply-side, picture of the business service is completed by documenting which IT resources (e.g., budget, hardware, and software) are needed to provide an IT service.

Working with business counterparts will allow IT Managers to improve services that the business requires at a level of utility and warranty which justifies the cost

This supply-side picture should span the service lifecycle, including costs and constraints in designing, transitioning, operating, and improving different aspects of the service.

The following are questions which Service Portfolio Management can help you to answer.

01. What services do I offer to the Sales organisation today?

What is the value expressed as benefit minus the cost of IT in the eyes of my customer?

02. Should I prioritise an application enhancement that brings distributors on board in a shorter time frame, or an entirely new financial service that will help Finance VPs close the books more swiftly?

03. Where can I rationalise my portfolio for greater value? Do I keep five separate embedded user authentication networks or will long term cost & compliance risk of sharing a single enterprise authentication system outweight short term cost?

04. Would my business customers realise more value from a new self-service portal or from additional server and network capacity?

05. Should I outsource the service that I offer or should I build it myself?

06. Which services cost more than the value which they represent to the business?

The point of departure will depend on business drivers. Does IT need to narrow the demand funnel for new projects? If so, start by applying this supply-and-demand view to requests for new services. Is cost reduction the major driver? Then focus on modelling the service costs for what you suspect are your most expensive or least valued business services. Is IT under pressure from a particular business unit to justify investment? Determine that customers' service value.

SPM is not a crystal ball, but it does provide a common set of reference points for IT and the business to collaborate on input to these key decisions.

Financial management IS essential for IT

Financial Management is essential to IT for three primary reasons:

1. To control IT spend for each service

2. To demonstrate consistent reduction of cost per service user

3. To justify investment priorities and consider more budget within IT for implementation of additional services or significant service enhancements to meet demand

Why do IT managers need to do this? The answer is, they want to deliver the best quality service at the lowest possible cost. This purpose-driven behavior ensures that they are maximising the available IT budget to create business value and increase the opportunity to take on extra projects that result in even greater value to the business.

Demand Management

If there is excess capacity, the IT department will incur costs with no way to recover them. Yet, if the IT department doesn't have enough capacity, the quality of the service provided diminishes.

Demand management helps avoid both excess capacity and insufficient capacity. In demand management, IT Managers analyze and track patterns of business activity (by people, processes, and applications) as the basis for predicting demand.

Additionally, IT Managers may examine business activity patterns in conjunction with user profiles. Start by identifying, documenting, and sharing these patterns across processes. Create user profiles based on roles and responsibilities and match each user profile with one or more patterns. This provides a systematic approach to understanding and managing demand.

As part of demand management, define core and supporting services that combine to create service packages. Service packages help shape demand for your services. The core services offered provide the basic outcomes desired by end users.

The supporting services enable the core services. Each service package accompanies a service-level package, which provides a definite level of utility or warranty.

A line of service in the service catalogue provides a combination of utility and warranty for a specific customer segment. This should be defined by preferred business outcomes.

Service Governance Architecture

To successfully execute the service strategy, and to effectively integrate the business and IT, someone needs to be accountable and responsible for the services IT provides. Rules, policies, processes, and procedures are critical success factors for operating a prosperous business.

It is typical for many IT teams today to have one group responsible for applications, another group responsible for infrastructure, someone else responsible for the network, and so on. If a service fails, there may be finger pointing among the different groups.

The main activities of governance are to evaluate, direct, and monitor the strategy, policies, and teams plans. There are numerous items that need to be evaluated for the IT team, such as the services, financial performance, opportunities, threats, and customer feedback.

Direction needs to be given with vision, policies, and delegation of authority. Those who govern the IT team also need to monitor compliance efficiency and the effectiveness of the governing.

As part of the governance process it is essential to put a service management system (SMS) in place to direct and control the service management activities. A formal service management system helps IT teams to effectively, efficiently, and economically deliver and support services to their users.

The service management system should include the strategy, policies, objectives, plans, processes, procedures, documentation, and resources required to enable services for customers.

The IT architecture and associated components make up the enterprise architecture. In essence, the architecture is the associated relationship of the systems and subsystems, including external systems. Your IT teams service strategy and enterprise architecture should complement each other, with the strategy supporting the framework and the framework supporting the strategy.

By looking at the enterprise architecture, the IT team will be better able to make decisions regarding IT service strategy related to running, growing, or transforming the business.

At Wanstor we believe it is important that the IT team aligns its goals with the service strategy, and that someone is responsible for service management.

In evaluating outsourcing decisions, IT managers should be conscious of the activities that provide competitive advantage to their business and where necessary look to keep certain services in house

Organising for service strategy

The service strategy influences the structure of the IT organisation. The IT organisation fits within the broader context of a complex system. This includes the enterprise, its customers, and the industry.

As an IT Manager it is up to you to know which organisational structure is appropriate, determine where the organisation is in its journey toward service orientation.

Only you as the IT Manager will know which organisational model may fit. Keep in mind that each solution has its own unique challenges and that it is set up to execute what the IT team wants to accomplish.

Examples of organisational structures for IT services include:

+ Network organisation

+ Directive organisation

+ Delegative organisation

+ Coordinated organisation

+ Collaborative organisation

At Wanstor, we advise many of our customers to take an incremental approach to changing IT teams. It may appear that a wholesale cultural change in the IT organisation is necessary to ensure successful adoption of new IT services.

That's a daunting task which might deter even the most progressive IT Director. Usually, wholesale cultural change is not necessary, nor even advisable. Businesses should approach organisational change in an incremental manner; other key factors to success are role competence and training.

We suggest IT Managers start with areas that have the greatest potential to increase business value through improvement.

Finally, executive management should define and support the accountability and responsibility for service management. For high-performing IT organisations, RACI models help with compliance, but you still need commitment from those who have been assigned responsibility.

All employees committed to the success of the organisation support continual improvement.

Technology to enhance service management

There are a plethora of tools available help with IT service management choosing the correct ones should be part of your businesses IT service strategy.

Service Automation

You can use service automation to improve utility and warranty of services. Automation can improve service quality, reduce costs, reduce risks, and resolve trade–offs. Automating processes can help the IT team to achieve better controls over manual activities.

Human error accounts for most problems that occur in IT environments and production infrastructures. Yet many functions that occur every day are standard and repeatable. These are particularly suitable for automation. From an operational or maintenance perspective, much of what IT does today is reactive in nature. It's difficult to look at the future if the IT team is constantly fighting problems or issues.

Yet, many IT teams still operate in a reactive mode meaning they are constantly caught up in a vicious circle of demand rather than taking a proactive automated approach to IT which would enable them to function more effectively. It also enables a more strategic, proactive, and innovative approach to service delivery.

Service Analytics

It's important to analyse and understand patterns of information. This shows how an incident can affect the business and how IT responds to it. Instrumentation describes the technologies and techniques in place to measure and track components of the IT infrastructure.

These tools not only report actual incidents or issues in the infrastructure but can also alert the IT team if a potential problem is imminent.

The right information for the right person

Delivering the right information to the right manager presents a challenge. Considering the diverse information needs of various managers, those in different areas need information targeted to their functions. Even managers in the same functional organisation may need different information.

One issue IT Managers need to address when delivering IT–related information is to connect the worlds of IT and business. Most IT managers have grown up in a technology world where they have focused on components of the IT infrastructure. They may have little understanding of the relationships between the infrastructure components and business processes they support.

Business managers see things from a business-process perspective, and they view IT as a provider of business services that support those processes. They may have little understanding of the relationships between business processes and the infrastructure components that support them.

For an organisation to manage IT from a business perspective, the gap between IT Managers and Business Managers must be bridged. This requires an information delivery and presentation solution that can deliver information to both parties. The solution must use metrics that both groups can understand and supply an understanding of the relationships between business processes and infrastructure.

Business dashboards that pull real-time information are an excellent way to provide data to business managers. At Wanstor, we suggest IT Managers use service analytics to model existing infrastructure components and support business services; then, attach infrastructure events to corresponding business processes.

The component-to-system-to-process linkage illustrates the service model and allows you to identify the business impact of an event. Service analytics enable operations to identify and correct problems from the end-user perspective.

Further to this, it is also possible to utilise service analytics in predicting the impact of change within a business.

Additionally, the design of service interface is critical to end-user satisfaction. Service interfaces appear at the point of utilisation or access point and can be used with people or processes, the former interfacing with technology in one of five ways:

Technology-free: No technology is used to provide the service; it's a manual effort

Technology-assisted: Only the service provider has access to the technology

Technology-facilitated: Both the provider and customer have access to the technology

Technology-mediated: The service provider and the customer are not in physical proximity but communicate through technology

Technology-generated: The service provider is represented entirely by technology (self-service)

In the past two years, self-service channels have become more popular - enabled by the Internet-as-a-service delivery method. With only a browser, users can access self-service channels 24/7, at their convenience. Self-service channels are implemented at very low incremental cost, and are highly scalable. It is important to ensure that the self-service interface is easy to use and efficient.

Service request management

Service request management technology has evolved. It gives employees the luxury of one-stop online shopping for all the services they need. It also gives the service providers in the organisation a single place to advertise their services. It's like having a service supermarket at your employees' fingertips.

When done well, the business benefits are significant. The system employs standard, repeatable, best-practice processes for handling requests. It reduces business risk and gives management greater insight into service-delivery quality and cost.

Employee productivity improves when people can locate services they require as the need arises, and when those services are delivered quickly, effectively and at a low cost. The same employees can initiate and track service requests independently, reducing load on the service desk.

And, finally, service requests are tracked for auditing as required in line with regulatory compliance.

Implementing service strategy and service design

Service strategy is intrinsically linked to service design. When designing IT services, make sure you completely understand the customers' desired business outcomes.

Contracts with customers outline the services provided for specific levels of utility and warranty. These are defined in the service strategy. By delivering and supporting the contract portfolio, you execute on your service strategy.

Service models outline how service assets interact with customers' assets to create value. Based on the service utility and warranty that you promise to provide, service models detail service structure and dynamics that influence service operation.

Service structure consists of the specific service assets needed, as well as how they are configured. Variables to consider include patterns of business activity, demand patterns, exceptions, and variations.

Prioritisation of incidents based on business impact

Establishing a service model helps IT teams to manage their activities based on the importance of the business service they are providing, rather than managing technology details.
A service model enables informed decision-making according to what is critical to the business. Think of a service required only on specific days of the month.

If the service fails to operate on a day that it is not necessary, then that failure may not be a priority incident. But, if the application isn't operating on the day that it's essential, it's a top-priority incident that needs to be fixed immediately.

Having a service model in place ensures IT Managers have the relevant information at their fingertips, and they can evaluate straight away whether a failure of a particular service is critical.

Once service strategy and service design are in place IT Managers need to actually bring the services online. Service transition is identifying the least-cost/least-risk method of getting the service into operation. It's all about change and configuration management processes.

Change management minimises the impact of change on the business, and configuration management provides the information to effectively implement change management.

Strategy depends on operational capabilities

In designing an IT service strategy, IT Managers need to be conscious of the organisation's operational capabilities and constraints. The best-laid strategies will fail without the appropriate operational capabilities upon which to execute.

Make sure the operations team understands the required outcomes and can provide adequate support. Establishing a service model helps IT organisations manage their activities based on the importance of the business service they are providing, rather than managing technology details.

Demand for the services the IT team provides will not be static. To meet fluctuating demand, start by analyzing business activity patterns. Evaluate frequency, patterns, and volume. Create service designs, models, and assets to most effectively serve the specific demand.

This leads to increased customer satisfaction, as service assets are optimised to serve homogeneous groups of users. In addition, work to simplify, standardise, and stabilise processes and systems.

The results include increased efficiencies, higher use levels for resources, and fewer mistakes.

Improving operations

To effectively measure service quality, the IT team and the MSP will need service level agreement (SLA) metrics. They also need to remember that the customer's perception of quality is based on the utility and warranty of service provided.

Generally, the end users' primary concerns are that the service is available and working as promised. Work on achieving high mean time between failures and low mean time to restore service. Keep in mind that these measures aren't relevant to the end users in these terms.

End users do not care about these factors; they are only concerned with how this affects availability of the service.

Without details about a service and its supporting infrastructure, it may be difficult for a service desk agent to know where to start. In many cases, it takes longer to locate the cause of a failure than it takes to fix it.

Service strategy describes how careful, systematic planning is essential to achieving the strategy that has been developed.

Once a strategy has been created, what do you do next?

At Wanstor, we recommend IT Managers start by working closely with the service design, service transition, and service operation teams to make sure that services are delivered efficiently and in the manner the customer expects.

Service strategy provides input into each phase of the service lifecycle. With a lifecycle approach, it's important to define the interactions between service management capabilities.

Use the required service design and operation capabilities to determine the required transition capabilities.

These, in turn, will help determine the portfolio of service designs. Continual service improvement drives feedback and makes sure that challenges and opportunities are handled appropriately.

IT Managers should also look at patterns in executing the service lifecycle to help them decide on new strategic positions to pursue.

Challenges, risks and critical success factors

When providing an IT service with a managed service provider there are a number of challenges and risks to overcome. At Wanstor we believe the following are the ones IT Managers need to watch out for.

User Value

Probably the biggest challenge for an IT service is preserving value for users, including the challenge of keeping the total cost of utilization (TCU) as low as possible. TCU includes the direct cost of the service and all other related costs. The goal is to eliminate as much hidden cost as possible.

You can't manage what you can't measure

IT Service management organisations need to implement measures that have meaning to their users, so they can effectively meet the user's needs.

At Wanstor we suggest IT has a relentless focus on the customers' desired business outcomes and how to best serve the customers.

As your strategy evolves, the IT team will need to change the factors they are measuring. Remember, monitoring discrete components is not enough. End-to-end visibility is key.

What are the right metrics?

Dashboards can help both IT and the business monitor and measure critical services and their supporting IT infrastructure. As with dashboards for IT Managers, the major challenge in creating dashboards for business managers is to establish the right metrics.

Business Managers have their own key business indicators (KBIs) that they need to measure and monitor to manage the segment of the business for which they're responsible.

It is essential to tie these business metrics to how effectively IT is supporting the business. Associating business metrics to IT-related metrics requires close collaboration between IT and business managers.

Risk awareness

Risk is an important topic in any outsourced managed IT service. The aim of provision is to reduce risk to the business by offering a proactive, well managed, user friendly IT service.

For the IT team, common risks include: financial, asset failure, operational mishaps, security breaches, inability to meet target service launches, and compliance issues.

For MSPs, risks include non-delivery on contractual promises or SLAs resulting in IT support being migrated to other suppliers. As mentioned earlier in our investigation, contractual fairness now comes into play.

Both parties must assume some form of risk and responsibility in order for the partnership to work. If it is loaded in favour of either contractee, then incumbent IT teams or the MSP leave themselves open to additional costs, and ultimately IT failure.

Being part of a complex IT organisation brings with it many challenges, opportunities and risks. A big challenge, but one worth tackling, is keeping your TCU as low as possible for customers.

You can mitigate risk through implementing a process control framework such as COBIT.

Another challenge is identifying the key metrics which to track. Monitoring solutions providing end-to-end visibility will help you meet IT teams needs. Implement analytics relating directly to customers desired business outcomes.

Being aware of potential risks is a first step in recognizing and addressing them in your environment.

Conclusion

A service strategy gives IT Managers a clear picture of where they and their departments are heading.

Now that the service strategy is created, what's next? At this point, the IT Manager should have a solid understanding of the users, the market and the services the business wants to provide.

The next step is to pass the strategy to the service design team, who will design not only each service, but also the people, process, and technology components needed to deliver the service effectively.

Change is everywhere, and it constantly affects how you do business and your overall strategies. Technology changes, people needs change, supply and value chains change, and organisations change. Even if nothing changes, IT Managers should be asking *"What can we do better?"* as part of the continual service improvement process.

One thing is for certain, IT will constantly enhance the value that is provided to the business, both now and in future.

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