

WHAT THE BEST COMPANIES DO

INFORMATION TECHNOLOGY PRACTICE INFRASTRUCTURE EXECUTIVE COUNCIL®

# Key Developments in Service Management

Hosted by Matt Charlet, Research Director, Infrastructure Executive Council

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## ROAD MAP FOR THE PRESENTATION



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### A pragmatic idea that is ill-defined and often misunderstood has organizations scattered across an implementation continuum.

 Critical Compentencies for Service Leadership: Varying ideas about service management and an implementations continuum lead to four major challenges articulated by the membership.

# WHAT'S WRONG WITH SERVICE MANAGEMENT?

Implementation Continuum *Illustrative* 



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Three predominant service management structures observed across the IEC membership.

 In a highly variable environment, three general structures are identified along with the staffing (full- or part-time role) continuum of the service management organization. Often organizations find themselves in between types, or as a hybrid of structures that fill gaps at their company.

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# A CONTINUUM OF SERVICE MANAGEMENT ROLES

Service Management Roles



# A NEW LENS FOR PRIORITIZING SERVICE MANAGEMENT ACTIVITIES

**Overview of Research Methodology** 

Data Collection		Analysis		Validation	Actionability
1 Building from prior research, create a list of effectiveness drivers.	2 Construct and administer the diagnostic.	<b>3</b> Construct Service Management Effectiveness Index and link it with infrastructure performance.	4 Measure impact of characteristics and activities on service management effectiveness.	5 Isolate infrastructure performance metrics and compare with Service Management Effectiveness Index.	6 Identify highest- impact activities.
Develop system of variables for service management from prior research and member interviews.	<ul> <li>Administer Service Management Effectiveness Diagnostic at more than 100 member organizations.</li> <li>Link diagnostic results to external data on revenue, number of employees, industry, total shareholder, and return.</li> </ul>	<ul> <li>Tabulate responding organizations' ratings of effectiveness and performance across inputs and outcomes of service management.</li> <li>Perform factor analysis on outcome variables of service management.</li> <li>Rank member companies based on index.</li> </ul>	<ul> <li>Evaluate impact of overall characteristics and activities on service management.</li> <li>Statistically control for differences in industry, firm size, and other exogenous factors.</li> <li>Regress management activities on effectiveness index to determine maximum impact of individual activities.</li> </ul>	<ul> <li>Use infrastructure performance metrics to validate relationships between Service Management Effectiveness Index and performance variables that are top of mind to IEC members.</li> </ul>	<ul> <li>Gauge the service management characteristics and activities that have the greatest direct impact on service management effectiveness.</li> <li>Identify the economic significance of jumps in effectiveness.</li> <li>Link high-impact activiti to existing IEC research an implementation guid</li> </ul>

## The IEC also created a service management effectiveness index and measured the activities and competencies of service managers and their SM organizations.

 A representative sample across various levels of performance pinpoints highimpact service management activities.

# DRILLING DOWN ON SERVICE MANAGEMENT AND MANAGER EFFECTIVENESS

Components of Service Management Effectiveness Index

#### II Factors

- Reducing infrastructure costs
   Correcting suboptimal SLAs
- Reducing delivery costs
- Quickly resolving service
   Assuring that SLA levels
- problems
- Managing demand
- reflect needs Building trust

Impacting IT projects

- Adjusting capacity proactively
   Customer friendly
- Preventing service problems

## Diagnostic Format

Illustrative



Study Model

Flow Diagram







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Top performers in the Service Management Effectiveness Index outperform in other critical areas of infrastructure and business performance.

# WHAT'S AT STAKE



<sup>1</sup> Difference from bottom 20% average to top 20% average for a hypothetical \$90 million operating budget for one year.

<sup>2</sup> For a hypothetical \$18 million project budget for one year.

<sup>3</sup> Above Market Shareholder Return = (average total shareholder return)–(average CRSP market return) over four years (annualized).

Source: Center for Research in Security Prices (CRSP); FactSet Research Systems; 2007 IEC Service Management Effectiveness Diagnostic.

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# THE REWARDS OF DEDICATION

Impact of Dedicated Staff on Service Management Effectiveness Percentage of Respondents Using Dedicated Staff Economic Benefit of Dedicated Service Management Staff<sup>1</sup> Effectiveness Performance Improvement, Indexed





staff have five times the impact on effectiveness as part-time staff.

#### Economic Model<sup>2</sup>

n = 94.

Operating Cost Gains from Effectiveness Improvement



<sup>1</sup> Performance improvement is calculated by using the difference in regression coefficients for the individual organizational designs and scaling them to a "No One" response baseline of 100.

<sup>2</sup> The economic model is calculated using the example operating budget improvement for a hypothetical \$90M operating budget company and then applying the corresponding performance improvement percentage.

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## Top performers demonstrate a high degree of asset standardization enabled by core service management processes

# A RELENTLESS REDUCTION OF EXCEPTIONS

**Degree of Asset Standardization** Percentage of Respondents "Mostly Standardized"

Adherence to Retirement Processes Percentage of Respondents "Effective"





**Standard Process for Reviewing New Technologies** *Percentage of Respondents "Effective"* 



n = 94.

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# A RELENTLESS REDUCTION OF EXCEPTIONS (CONTINUED)

Adherence to Change Review Process Percentage of Respondents "Effective" **Recognizing Early Warnings of Project Failure** *Percentage of Respondents "Highly Proficient"* 





n = 94.

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Business immersion, while helpful, is not as important to service manager effectiveness as customized communications.

# UNDERSTANDING OF BUSINESS

Business Background of Service Management Staff Percentage of Respondents "Experienced" Capability to Customize Communications to Specific Audiences Percentage of Respondents "Highly Proficient"



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# UNDERSTANDING OF ARCHITECTURE

**Broad, General Understanding of Infrastructure** *Percentage of Respondents "Highly Proficient"*  **Detailed Understanding of Enterprise Architecture** *Percentage of Respondents "Proficient" or Higher* 





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## Of the 72 service manager skills and activities measured, only 24 had a positive impact on their effectiveness.

 Where impacts were seen, those impacts were highly disproportionate in favor of business partnership and financial management activities.

# A NOTEWORTHY TWO DOZEN



Note: Each bar represents a statistical estimate of the maximum total impact on the Service Management Effectiveness Index that each activity will produce. The maximum total impact is calculated by comparing input statistical ranges and output statistical estimates. The impact of each activity is modeled individually.

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## Activity Group #1: Anchoring Infrastructure Activities to Business— Make service definitions clear and concise, and update them frequently

- Of the first eight activities grouped around anchoring infrastructure activities to business priorities, data shows a high yield to writing clear and concise service definitions, updating them frequently, and monitoring infrastructure performance against these definitions.
- Marginal effectiveness payoffs exist for linking services to underlying business processes or forward integrating into BU strategy.
- This is due to their narrow distribution indicative of high relative proficiency (or lack of proficiency in the case of influencing strategy) across all study participants.

CLARITY OF SERVICE, NOT BUSINESS STRATEGIST
Anchoring Infrastructure Activities to Business Priorities
Maximum Impact Percentage on Service Management Effectiveness



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## Activity Group #2: Driving Effective Service and Cost Trade-Offs

- Understand and communicate the drivers of service cost before investing in detailed costs accounting and chargebacks.
- The best way to improve service management effectiveness (and thus infrastructure performance) is to improve visibility into cost drivers and thereby enable business and technology partners to make better trade-off decisions. Chargebacks and detailed cost accounting efforts scored a lower payoff in terms of effectiveness.

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# COST KNOWLEDGE, NOT CHARGEBACKS

**Driving Effective Service and Cost Trade-Offs** Maximum Impact Percentage on Service Management Effectiveness



## 16

## Activity Group #3: **Mitigating Service Supply Chain Complexity**

- For services to run smoother. Infrastructure must define and refine service support capabilities.
- The last eight characteristics which are grouped into a services supply chain category show the importance of focusing service management staff on timely variance reportingthat is, monitoring and responding to infrastructure service issues before they interrupt commerce.
- Likewise, driving to a higher level of standardization pays off in terms of effectiveness. Tactical activities such as crisis leadership and incident data mining are areas of lesser impact.

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n = 94.

## STRATEGY AND COORDINATION, NOT TACTICAL SUPPORT

### Mitigating Service Supply Chain Complexity Maximum Impact Percentage on Service Management Effectiveness





WHAT THE BEST COMPANIES DO

# Service Management Activity Rebalancing Tool (S.M.A.R.T.)

A Benchmarking Diagnostic

From the <PROGRAM NAME>™ or ® of the <PRACTICE NAME> www.xxx.executiveboard.com

#### How to Get S.M.A.R.T.

## S.M.A.R.T. ROLLOUT PROCESS

**SCENARIO:** To prioritize service management activities for maximum impact, the Head of Infrastructure and service management staff participate in a 20-minute diagnostic survey to isolate key areas for organizational improvement relevant to the company's specific business environment.



#### Member's Role

- Appoint coordinator to assist distribution of Web-based diagnostic to staff members.
- Select diagnostic completion dates and research walk-through date for delivery of signature report.

#### Council's Role

- Assist coordinator in communication and installation of the diagnostic and answer any participant questions.
- Provide coordinator with regular updates on progress.

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#### Council's Role

- Analysis performed to measure a proficiency baseline and assess organizational strengths versus weaknesses.
- Identify greatest areas of disagreement across staff regarding desirable service management outcomes and proficiency levels.
- Benchmark member data against the Council's broader research findings based upon a crosssectional perspective of more than 100 institutions.





## Council's Role

- Reduce overemphasis in lowleverage areas and increase emphasis on high-impact areas by rebalancing activities.
- Reconcile alignment data with membership- prioritized maximum-impact activities.
- Explain the analysis and environment-specific alignment data to personnel to assist in change management.
- Train staff and assist with followup questions and Web-based resources.



#### Member's Role

 Schedule follow-up maintenance date for reassessment.

#### Council's Role

- Deliver signature report.
- Direct member and staff to existing research that heightens activity levels in maximum-impact areas.
- Monitor future performance versus previous baselines.



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