

# **THE EVOLVING IT SERVICE ORGANIZATION**

## **Organizational Design Considerations For IT Service Management**

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## 1 EXECUTIVE SUMMARY

It is the nature of ideas, processes, structures and functions to mature and change over time as the needs placed upon those concepts evolve. This is equally true of IT Governance and the corresponding design of organizational structures and roles. The technology industry as a whole is undergoing a transformation from one largely shaped by the leadership and personalities of individuals, to one that is becoming more defined, homogeneous and regulated. In parallel to this we see an evolution of IT Management focus, moving away from a pure technology view to one focused on the needs and requirements of business partnership and integration.

To make the leap from technology management to business partnership a cultural shift is required on the part of both the management staff of the IT organization as well as the business customer they serve to the effect that IT is recognized as an inherent and integral part of the business organization as opposed to a unique and separate function.

It is precisely due to this understanding of interdependency that IT governance and legislation have established public reporting and audit requirements on IT processes and controls. The result of this awareness translates into the following statements.

- The financial results of a company are a direct result of its business processes
- Business processes are dependent on, and automated by, IT services and systems
- IT Services are directly impacted by the maturity and controls of IT processes
- IT professionals have a direct impact on the consistency of IT processes

Following this argument the following is true:

- There is no separation between the business process and its underlying technology.
- IT Organizations have to understand what Services they provide and implement the enterprise processes that deliver and support them
- IT Organizations have a business and legal requirement to understand and manage how IT Services are built by technology components
- IT Governance and management structures have to be in place to manage both services and processes that span existing technology management silos

The objective of this document is to understand the impact of Service Management and the impact of the statements above on IT organizational design and to provide guidance on how to best apply a recommended approach.



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## 2 ORGANIZING IT – THE TRADITIONAL MANUFACTURING MODEL

Since the early industrial revolution and the advent of modern manufacturing processes pioneered by men such as Henry Ford for his famous Model T automobile, organizational design has focused on breaking apart complex processes into the smallest individual tasks. The primary reasons for this decision was that at the turn of the last century the general workforce lacked highly skilled resources since the majority of employees had recently moved from a rural cottage industry to an industrial model. In addition to the skills shortage, early industry was faced with severe challenges around general communication and collaboration tools. This created a need to simplify each person's task down to a set of focused and repeated activities.

However, still requiring the ability to maintain a larger picture of the entire process, the organization created a foreman or manager position to oversee a small set of related tasks performed by individuals and then a middle manager to supervise that foreman and his related peers. Following on from this model, a Senior Manager was needed to oversee a set of middle managers who managed similar teams. The resulting organization was comprised of large vertically oriented management pyramids or silos focused on groups of like activities where communication was relatively efficient vertically through the pyramid but was extremely challenging when collaboration was required between silos. This management structure of task segmentation coupled with the need to create layers of management roles to hold the big picture together was the only practical way to accomplish large and complex objectives with the limitations facing the early industrial age. Thus was born our modern day organizational design.

To summarize: The only way for large groups of individuals to collaborate in complex processes such as building a car was to give them each only one thing to do and let them focus on doing that one thing to the mental exclusion of all else. For example, your job is to put brake pedals on the cars as they move past; you will do this as efficiently and as quickly as possible; this is what you are paid to do, nothing else; anything you do outside this task is someone else's job. These management structures are still used today, even though many of the reasons for their creation no longer apply.

In an IT context, this translates into management silos that are created around like technology domains or platforms such as servers, databases or applications. Today in IT, you can see the culture of task segmentation clearly when the individuals in these entrenched silos, such as network administrators or application developers, believe fervently that they are doing the Service Desk a favor if they fix something. In their minds, responding to incidents is someone else's job! The inherent problem with task segmentation is that, by the very act of breaking down the complex processes into individual tasks or activities, those who perform the individual tasks do not always understand the overall picture. For example, an IT Service such as e-mail is never found within a single technology domain but is comprised of applications, servers, databases,



etc. When we do not understand clearly how an IT Service is built, we lose critical management information.

We have lost sight of the forest by focusing on the trees!

Or perhaps a more accurate statement is that we don't have a forest or trees problem, we have a bark problem – we are far too close to the technology issues to even envision that we have a problem.

To extend the car analogy just a bit further, compare the current management of IT based on technology silos to a hypothetical automobile repair shop that hires and focuses primarily on highly specialized mechanics versus also recruiting and training general practitioners. In this scenario they have recruited and hired the best wheel mechanics in the market. No one can remove tires faster or more efficiently than their technicians. They have developed entire certification models and career paths on this one activity. They base their performance evaluations entirely on how well they perform this specific activity and they get what they measure. However, these same star individuals would think nothing of whipping the tire off the car when it's moving down the highway versus parked safely in the driveway (this sound unlikely, but is exactly what happens when IT makes a change without consideration of the business impact). From their perspective, if they see any indication that the tire needs replacing, they do it immediately and efficiently without consideration of the car as an integrated solution. This is in effect how we manage and operate IT in a technology focused IT organization which is not focused on, or aware of the business processes they support.

In this model the specialists know that there is a car, but it is this conceptual thing that they don't understand. They certainly don't understand the full implication of the wheel (server, switch, application) to the car. They probably are aware of the axle but little else. It would not occur to them to ask the driver whether now was a good time to change the tire, since they have never met him. In short in this analogy, the repair shop (IT) has specialized by task segmentation to the point that the staff have lost sight of the purpose of the task.

Similar to the automobile repair shop analogy, IT needs general mechanics as well as specialists that understand the entire workings and relationship of the major systems to support the service in this example called driver transportation. IT performance measures currently focus on domain and technology management. Organizations that define horizontal IT Services will also require performance measures related to the governance of services and processes.

The concept of general practitioner and specialist can also be observed in the medical profession where there are general practitioners who understand the needs of holistic patient care as well as specialists who have expert knowledge in specific areas. However,



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based on the context of history and the incentive programs we have deployed, IT has a disproportionate number of highly specialized technicians to general mechanics.

*“Effective managers have long known that you manage by processes...what’s new is the enabling technology...the less developed information systems that supported command-and-control structures couldn’t do that. In fact, those structures – which can probably be traced back to the church and to the military as far back as Caesar – persisted precisely because for many years they were the only way to manage large complex organizations.”*

*P. Allaire Chairman and Chief Executive Officer, Director of Xerox*



### 3 TECHNOLOGY V.S. SERVICE MANAGEMENT

The evolution of a Service Management perspective begins with an awareness that a rudimentary responsibility of IT is to understand what services it provides. Following this, the second question then becomes: *how does any given IT component support an IT service which enables key business processes?* Until these two questions are understood, it is difficult to claim that IT is aligned with business goals. How do you claim to be aligned or integrated with the business if you don't understand what IT services are, how they are built and how they are consumed by a business customer to produce products or generate revenue?

Have you ever stopped to consider that ITIL<sup>®</sup> is a Service Management Framework?

It sounds pretty basic and you may be wondering what is meant by this obvious statement. Consider that if ITIL is a Service Management framework this means that all of the processes have only one goal: To Plan for, Deliver and Support IT services!

But what happens if an IT organization does not have services defined? Well then perhaps ITIL in its full application has limited value at this point of an organization's maturity.

This is one of the primary reasons it continues to be a challenge to sell the benefits of IT Service Management to some companies. If the IT Executive understands its total job to be the management and optimization of technology domains and has little or no understanding or concern for what IT Services are, then the ITIL processes have limited value.

However, if it is understood that no technology component exists for its own right and that the individual components from various domains actually work together in connected cross platform systems that support IT services, then there is a significant need for enterprise IT processes that ensure a consistent delivery and support of those services.

In order to further understand the design of an IT organization that is based on Services, it is important to define an IT Service.

#### **IT Service:**

- One or more technical or professional IT capabilities which enable a business process. An IT Service exhibits the following characteristics:
  - Fulfills one or more needs of the customer
  - Supports the customer's business objectives
  - Is perceived by the customer as a coherent whole or consumable product



*Note: By this definition a service is a capability, not a technology solution or vertical domain such as a server environment or a business application.*

### **IT System:**

- An integrated composite that consists of one or more of the processes, hardware, software, facilities and people, that provides a capability to satisfy a stated need or objective. An IT System:
  - Is a collection of resources and configuration items or assets that are necessary to deliver an IT Service
  - Is sometimes referred to as a Technology Solution

*Note: The technology system is the complete composite of IT components from various domains which, when brought together in a relationship, represent a value-added technology solution; for example, a Local Area Network or an application system such as an Enterprise Resource Planning solution. A system is not referring to the application as a stand-alone element but to all of the components which build the complete solution (application, databases, servers and middleware, etc.)*

### **Configuration Item (CI):**

- A component of an IT infrastructure that is part of an IT System
  - CIs may vary widely in complexity size and type – from a document or policy to an entire system or a single module or a minor hardware component

### **3.1 Technical & Professional Services:**

When defining IT Services it is necessary to understand that there are two basic types of services that IT provides. These two types can be loosely classified as either “Technical” or “Professional” services.

A “Technical Service” is defined as a technology-based capability that the customer consumes or uses in order to facilitate a business process or function. Or a component service which supports another IT Service which is customer facing. Technical services can be further understood as either application services or infrastructure services.

### **Examples of Technical Services**

General Infrastructure services such as:

- Messaging/Email
- File/Print



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- Network or Internet access
- Office or desktop productivity
- Voice Communications
- Application Hosting
- Storage Management

Application-based services such as:

- Financial Management Systems
- HR Support
- Power Generation Applications
- Refining and Control Systems

*Note: It is best practice to name the application-based service as closely as possible to the name of the business process it supports. This will be a critical step in understanding the business impact of IT Service or component failure.*

When the IT Service names are aligned with Business Processes, both the business customer and IT staff have a clearer understanding of how technology is aligned to meet business objectives.

A “Professional Service” is defined as the value-added activities that IT staff provide in order to support, maintain, monitor or ensure the consistent and reliable delivery of the technical services. Examples of Professional Services are:

- IT Architecture & Engineering
- IT Security
- IT Support
- Project Management Services
- IT Consulting
- Application Development and Enhancement Services

*Note: It is very important that the IT organization takes the time to define professional services, since in most organizations over 60% of the annual IT budget is spent on these activities. If these services are not defined, all of this cost is reported as a non-value-added overhead. In summary, the organization that does not define as many valued-added professional services as possible looks very fat when IT management is considering outsourcing.*



## Service Dependency Model

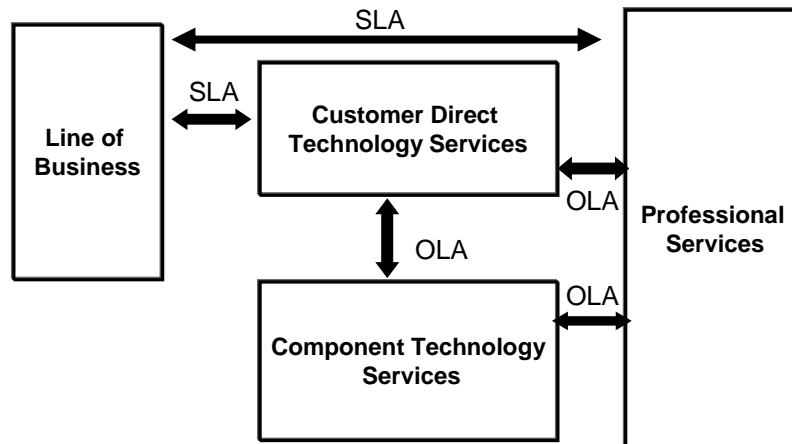


Figure 1 – Service Dependency Model

In alignment with ITIL best practices, Service Level Agreements (SLAs) are developed between the business customer and IT for those services which are customer facing. Internal Operational Level Agreements (OLAs) are developed for those services which support the delivery of customer direct services.

For example:

- There is a customer facing SLA for the application service called Investment Banking, and it is supported by the following OLAs from component and professional services:
  - Application Hosting
  - Storage
  - Data / Lan
  - Security Management
  - IT Service Continuity
  - Etc.
  
- There is a customer facing SLA for the infrastructure service called Desktop Automation which is supported by the following OLAs from supporting component and professional services:
  - File / Print
  - Incident Management
  - Backup and Recovery



- Image Management
- Etc.

To summarize, when a technology-focused IT organization does not understand IT Services, it is challenging to create a strong enough business case for deploying ITIL processes and best practices. It is likely they will see some value in the support processes such as Incident, Problem and Change Management. However, they will likely go no further until the concept of an IT service is understood and appreciated. Why would a company ever do true Configuration Management, full Release Management or Service Level Management unless it needed to know how the technology comes together to deliver end-to-end services modeled in the CMDB.

An organization's readiness to address full Service Management and the resulting need to address the IT organizational structures related to it can be tracked through an observable cultural maturity model.

### **Level 1 – IT Is Project & Portfolio Focused But Operationally Challenged**

Good processes and controls exist to evaluate, control and execute projects in order to ensure on time, on scope and on budget delivery of initiatives. However, once those projects arrive in production, the controls evaporate. In this model, little to no concern is given to the processes which need to receive and support the project deliverables once they are live. For this organization, Service Management disciplines makes sense while the project is being developed, but are not a concern once the project is closed since the attention of management is now focused on the next big initiative. Alternatively to the controls and processes evaporating, it is also possible to see each project defining and deploying its own support processes for each major project. This results in many redundant and unconnected processes and tools since they are project specific.

### **Level 2 – IT Realizes That Availability & Reliability Of Technology Is Tied To Business Success**

At this point IT governance focus is shared between project execution and the management and optimization of an IT technology environment. Domain or IT Platform owners are established and multiple business cases are developed and approved to purchase domain focused monitoring tools. Each domain acquires its own technology to monitor its own assets from a variety of different vendors. If configuration information is managed about the technology components, it is typically represented by inventory lists maintained by each functional group to the level of integrity required by that group. At this point of maturity, the organization has begun to implement basic support functions such as Service Desk and Change Management but is struggling with compliance.

### Level 3 – IT Acknowledges That Technology Components Don’t Live In Mythical Isolation

When an IT organization realizes that availability and reliability have to be looked at from an end to end solution or, in ITIL words, a service view, the need for a service orientation and the CMDB becomes an issue. It is also at this point that the organization is ready to support the development and implementation of the processes that are required to keep a central source of data up to date.

#### 3.2 The New Service Orientation – Organizational Model

Without a service perspective described in the previous section, the IT organization focuses primarily on the management of technology domains as large stand alone silos. While it is important to manage these silos well in respect to domain-based goals related to availability, capacity, security and financial accountability, these goals represent only a basic level of IT management accountability.

The two largest of the traditional silos found within an IT organization is the separation of the application groups from the infrastructure management organization (see Figure 2). Within each of these two major silos, there are additional management structures based on application types or technology platforms. On the positive side of this model, each group manages its domain or platform budget and objectives with reasonable effectiveness; however, little to no thought is given to enterprise IT planning and Service Delivery except by the most senior of IT Management staff. On the negative side of this model, we see frequent attempts to define SLAs based on the application in isolation of its supporting system components. Or conversely, we see a customer-facing SLA presented based on a group of back office technology components, such as servers which are never consumed directly.

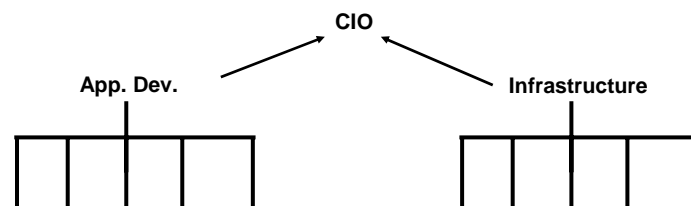


Figure 2 – Traditional IT silos

Another very common business engagement model we find in a technology focused organization is the one represented in (Figure 3). This diagram presents a picture where the primary business or client relationship is owned by the application organization. In this model, the infrastructure group is often perceived to be a service provider to the

application organization. This is made even more complex when the application development groups are perceived to be part of business units and are not managed or considered to be part of the Enterprise IT organization.

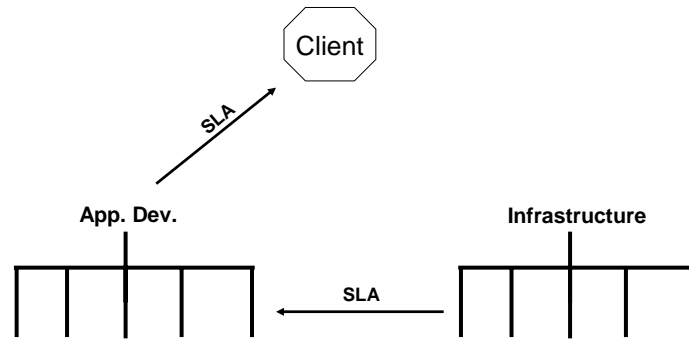


Figure 3 – Business Engagement Model: App. Dev. Ownership of Client Relationship

*Note: This picture represents a typical IT relationship model. ITIL terminology refers to the agreement between the application and infrastructure groups as an operational level agreement as opposed to an SLA.*

Service Levels are typically developed between the Application Development organization and the business client, and supporting agreements are established between the Application and Infrastructure Organizations. While this seems reasonable on the surface, it promotes several long-term negative management results.

1. It promotes a belief that the application is somehow superior, separate and distinct from the other supporting components that make up the service.
2. It promotes a belief that the application groups have a more important place in a Service Delivery model.
3. It promotes a belief that the application group is a client of the infrastructure group as opposed to a partner for delivering end to end IT services to the true customer which is the business.

In this traditional model, application groups gain the upper hand in business – IT discussions and the infrastructure organization is relegated to a perceived second class or largely unimportant function.

The end result of this model often plays out in the following scenario:

Each year, the IT budgeting process allocates funding to only a set number of IT projects based on available resources. Since the application groups have the direct relationship to the business customer, they typically receive the lion's share of available money for their projects. This leaves many of the proposed infrastructure maintenance and upgrade

projects without funding. This scenario plays out year after year, with the inevitable consequence of the infrastructure becoming outdated and unstable. The end result of this model is that the overall service, which is never the application in isolation, is placed in jeopardy and begins to degrade.

The application of a best practice Project Portfolio Management practice is designed to avoid this scenario (Figure 4). In principle, Portfolio Management is an enterprise process which considers, prioritizes and approves all requests for new projects in relationship to business strategy and objectives. However, for this principle to work according to the intent, this requires the Project Management Office (PMO) to be an enterprise governance function and process that takes an unbiased view of all projects requests.

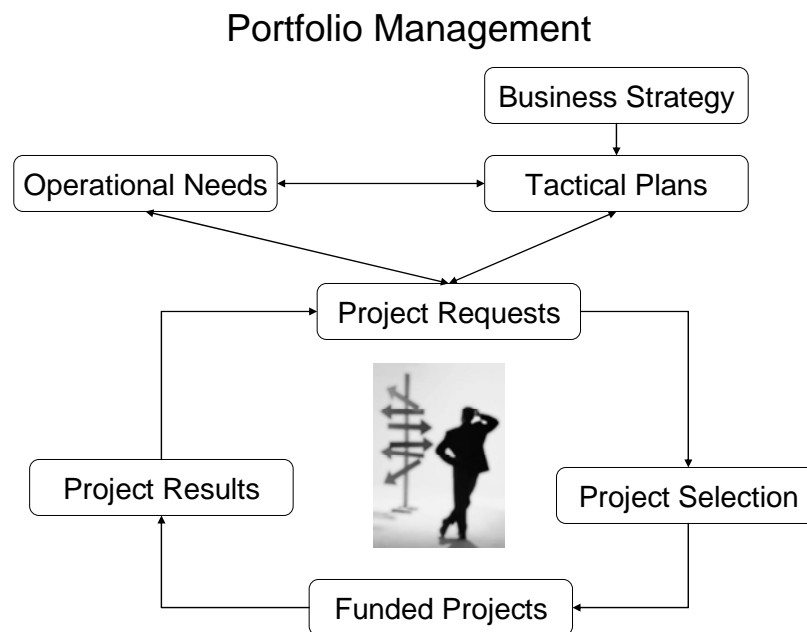


Figure 4 – Portfolio Management

However, in many organizations the Project Management processes are managed within silos or at best, at an Application vs. Infrastructure Management level. So, the end result is that project prioritization is not done at an enterprise level and the earlier scenario is all too real for many IT organizations.

This discussion about Portfolio Management and the concepts of enterprise IT Services points to a required change in approach of IT organizational design to incorporate governance and ownership models that support the management of functions that have objectives, services and processes spanning the traditional technology silos depicted in Figure 2.

## 4 SERVICE ORIENTED IT ORGANIZATIONAL MODELS

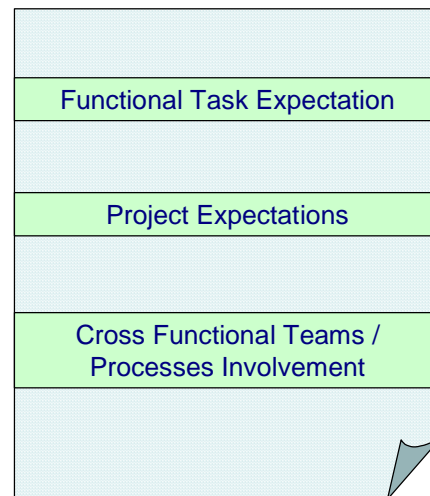
IT services, as well as the ITIL processes that support them, inevitably span multiple organizational structures. In essence, IT services and their supporting processes can be understood as horizontal management structures which are established and managed on top of the traditional vertical silos. As these services and processes are defined, a need becomes apparent to establish governance and ownership roles that don't seem to fit well in the traditional vertical silos.

### 4.1 The Impact Of Classic Job Descriptions On A Service Organization

Based on the historical context of task segmentation, the average person has a unique set of tasks and activities defined within their job description related to their specific silo. However, there has always been three types of work they perform on a daily basis, but only one type of work is typically documented in their formal HR job description. For argument's sake, let's call the specific set of tasks within their silo their functional work.

Example: a network administrator, an application programmer, a service desk agent, an IT security manager. In each of these examples, the individual has a job function within a traditional IT silo where they spend a certain portion of their day. However, each of these individuals can also be assigned to temporary project work. What is equally true is that each individual will spend a certain portion of their time involved in cross-functional processes they deem as time spent helping someone else's job (e.g.: they have always been involved in fixing things that break, going to meetings about things that are changing, or moving things around based on requests). In other words, they have always been involved in Service Management processes, but because these activities are not formally defined as part of their job function, they regard time spent in those activities as time spent away from their real jobs.

### Job Description



The reality is that each individual has always been involved in three types of work long before ITIL or Service Management came along. What is new is that what was before undefined and unmeasured is now being formalized. From an individual perspective, moving to a Service Management model eventually requires the opening of job description documentation in order to adjust expectations and performance measures around work conducted on all three types of work.

Several organizations that have made project management improvements have recently included the definition of project related expectations in their IT employee job descriptions, but even those companies which are tracking resource time against both functional and project-related work still neglect to track time spent in cross-functional process work. In essence, what is not defined cannot be managed. Perhaps one of the reasons that many of us find ourselves always with too little time to get all that we need done in a given day and find ourselves responding to email at 10:00 pm is that we only account for one or at most two types of work are involved in.

#### 4.2 Horizontal Management Structures Create A Management Matrix

What occurs when an organization defines enterprise IT services and process is that two new virtual horizontal organizational structures are being established on top of the traditional vertical IT domain-based silos (Figure 5). The end result of this decision is the establishment of a matrix organization where individuals within IT have multiple lines of accountability.

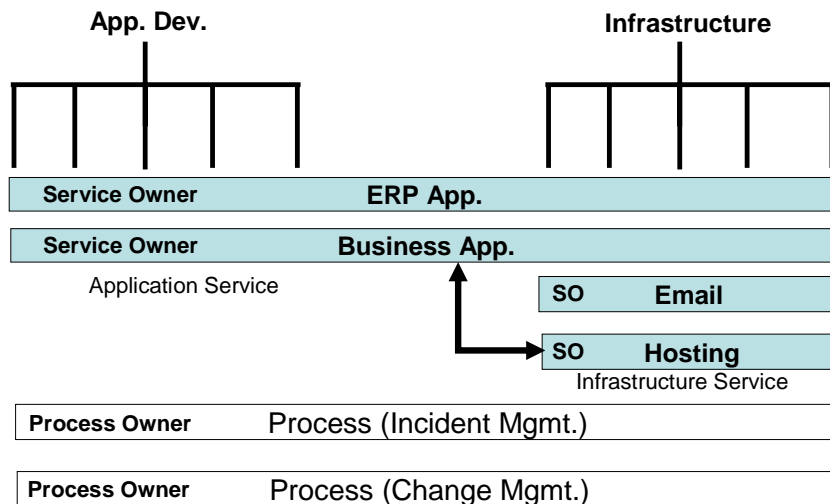


Figure 5 – Matrix IT Organization

For example, an individual who is a database administrator is responsible to his/her functional manager for domain based duties; however, they are also responsible for database components that are used for multiple IT Services and have to work with multiple service owners. By the nature of those databases being part of multiple IT services, they also participate in the ITSM processes described by ITIL and are consistently asked to participate in process-related tasks and meetings. On top of this is the need to work on project related work with the consistent nagging of a project manager, and the poor DBA has at least four different roles pressuring them for resource and time prioritization.

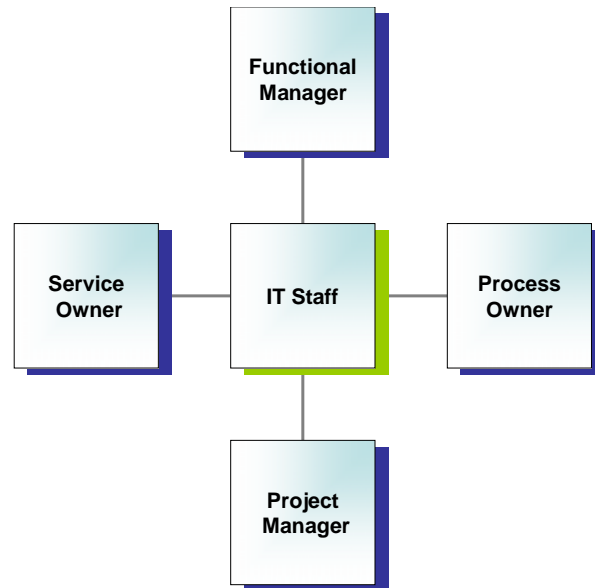


Figure 6 – Matrix Roles

Matrix Roles:

- 1) Functional Manager
- 2) Service Owner
- 3) Process Owner
- 4) Project Manager

With the implementation of Service Management, the concept of matrix accountability is unavoidable. A critical success factor in dealing with the resulting matrix is having a clear understanding of the new roles and establishing clear policies and guidelines to understand how an individual IT resource prioritizes his/her time against all four areas.

For the purposes of this document, it is assumed that the role of a functional and project manager is well understood. The two new roles that Service Management introduces to the mix are the roles of Service Owner and Process Owner (Figure 6).

### 4.3 The Service Owner Role

The Service Owner is accountable for a specific service within an organization regardless of where the technology components or professional capabilities reside which build it. Service ownership is as critical to Service Management as establishing ownership for processes which cross multiple silos or departments.



To ensure that a service is managed with a business focus, the definition of a single point of accountability is absolutely essential to provide the level of attention and focus required for its delivery.

Much like a Process Owner, the Service Owner is responsible for continuous improvement and the management of change affecting the services under their care. The Service Owner is a primary stakeholder in all of the IT processes which enable or support the service they own. For example:

- **Incident Management:** Involved in or perhaps chairs the crisis management team for high-priority incidents impacting the service owned
- **Problem Management:** Plays a major role in establishing the root cause and proposed permanent fix for the service being evaluated
- **Release Management:** Is a key stakeholder in determining whether a new release affecting a service in production is ready
- **Change Management:** Participates in Change Advisory Board decisions, approving changes to the services they own
- **Configuration Management:** Ensures that all groups which maintain the data and relationships for the service architecture they are responsible for have done so with the level of integrity required
- **Service Level Management:** Acts as the single point of contact for a specific service and ensures that the Service Catalog is accurate in relationship to their service
- **Availability and Capacity Management:** Reviews technical data from a domain perspective to ensure that the needs of the overall service are being met
- **IT Service Continuity Management:** Understands and is responsible for ensuring that all elements required to restore their service are known and in place in the event of a crisis
- **IT Financial Management:** Assists in defining and tracking the cost models in relationship to how their service is costed and recovered

#### 4.4 The Process Owner Role

The initial planning phase of any ITIL project must include establishing the role of Process Owner. This key role is accountable for the overall quality of the process and oversees the management of, and organizational compliance to the process flows, procedures, data models, policies, and technologies associated with the IT business process.

The Process Owner performs the essential role of Process Champion, Design Lead, Advocate, Coach and Protector. Typically, a Process Owner should be a senior level manager with credibility, influence and authority across the various areas impacted by the activities of the process. The Process Owner is required to have the ability to influence and ensure compliance to the policies and procedures put in place across the cultural and departmental silos of the IT organization.



A Process Owner's job is not necessarily to do the hands-on process re-engineering and process improvement, but to ensure that it gets done. He or she typically assembles the project team, obtains the resources that the team requires, protects the team from internal politics, and works to gain cooperation of the other executives and managers whose functional groups are involved in the process. This role's responsibilities do not end with the successful embedding of a new process. In a process-oriented organization, the Process Owner remains responsible for the integrity, communication, functionality, performance, compliance and business relevance of the process.

The three major activities of the Process Owner are Process Design, Organizational Awareness, and Advocacy.

### **Process Design**

- Accountable for the ongoing business value and integrity of the process design across the functional and organizational boundaries the process crosses:
  - Process and procedures
  - Policies
  - Process roles
  - Key Performance Indicators (KPIs)
  - Process automation requirements
  - Process integrations

### **Organizational Awareness**

- Accountable for planning and implementing practices, orientation and training to ensure organizational understanding and adoption of the process activities:
  - Internal and external training
  - New employee on-boarding and orientation
  - One-on-one mentoring
  - Teambuilding exercises
  - Conflict facilitation
  - Communication and feedback forums

### **Advocacy**

- Accountable for protecting, measuring and reporting on process compliance across organizational silos:
  - Dealing with political issues in relationship to process compliance
  - Promoting a culture of process collaboration



- Breaking down strong silo or functional mindsets
- Verifying process compliance on an ongoing basis
- Representing IT processes to business
- Managing process exceptions
- Promoting integration with other processes

While design and organizational learning can be delegated to other process roles, it is not advisable to ever delegate advocacy.

With the definitions of Service and Process Owner within the IT organizational structure, the burning question then becomes: “Where do we establish these new service and process roles?”

In both cases, these horizontal roles represented are as effective or not according to the level of empowerment given to the role by the executives of the IT organization.

*Caution: Frequently, Service or Process Ownership roles are established with no real authority or direct escalation path for issues of non compliance and continuous improvement.*

The answer to this question is that there are two primary models for placing ownership:

1. Establish horizontal ownership within an existing vertical structure.
2. Establish horizontal ownership outside the traditional silos in a new vertical silo focused on the management of enterprise IT objectives.

Neither model is inherently right or wrong, but will be applied as logic dictates. However, our experience is that the second model presented in this document has a greater likelihood of long-term success.

### **4.5 Placing Ownership Within Existing Structures**

The first model places Service and Process Ownership within the existing vertical organization structures (Figure 7). The general premise of this option is that no major changes are made to the existing silos and that ownership is established within an existing group that has a sympathetic or vested interest in the service or process. It is very common for an organization which is just starting to adopt Service Management to apply this model at an early stage of their initiatives. However, while this provides an easier transition with minimal disruption to the existing organization in the first stages of Service Management, many organizations will adopt the second approach described in this document over time.

Examples:

- Ownership of Incident Management is given to the Service Desk
- Ownership of Release Management is given to the group responsible for production assurance
- Ownership of the email Service is given to the group which administers the primary application
- Ownership of the Voice service is placed with the Telecommunications group
- Etc.

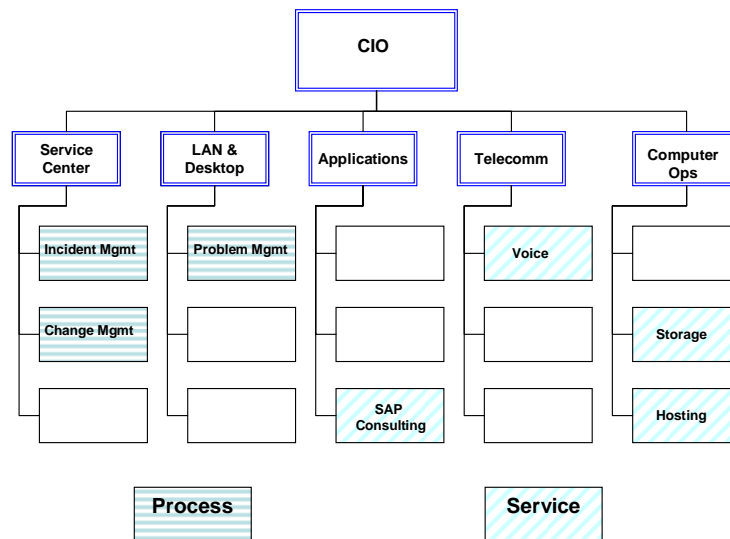


Figure 7 – Model 1: Placing Ownership Within Existing Structures

This model offers both pros and cons when adopted:

**Pros:**

- This approach does not require major organizational changes in that ownership is established within the existing structure and typically existing resources
- Advocacy and decision making related to the process or service works well within the silo the ownership is placed
- Service Ownership works well in this model since there is typically a primary point of contact established for the IT Service within the existing structure

**Cons:**

- An important message that Service Management attempts to establish is that services and processes are agnostic to organizational structure and that they are delivered through the cooperation of multiple IT groups or domains working together to deliver



IT Services. By establishing the ownership within an existing structure this model inevitable works against this goal by sending a subtle message that the process ownership belongs to a certain department or group

- Whether the organization implementing the services and processes realizes it or not, a matrix organization is being created. In this model, the matrix is not immediately visible since no changes have been made to the existing structures. However, the moment a Change Manager role is established, an IT resource now has responsibilities to both his/her functional manager as well as to the Process Owner. This matrix accountability is not as apparent in this model. There are decision making limitations inherent in this approach as well, as accountability issues can surface from the frequently encountered comment, “you can’t tell me what to do”.
- In this model, it is common to give Process Ownership to someone who already has a full time role within the functional group they reside. This leads to conflicts of interest in relationship to time and resources which more often then not place the process focus at a disadvantage.

### **Implementation Approach:**

- **Service Ownership:** This model makes sense for Service Ownership, since even though few IT services exist exclusively within only one IT group, there is still a primary organization which provides the management interface for the service, e.g.: Hosting – Computer Ops; Virus Management – IT Security
- **Process Ownership:** This approach is often employed and is relatively effective in the early stages of a process implementation project. However, over time it is difficult to maintain this model since unlike IT Services, the processes have no affinity to one specific group. Couple this with people resource and bandwidth issues that inevitably come up, and it is usually understood that Process Ownership is better established outside the traditional organizational structures. While this is true for the central process governance roles, the more day-to-day operational roles are typically still distributed across the various groups of the organization.

*Note: Establishing Process Ownership within existing structures works reasonably well for a smaller organization or one that has implemented a limited number of processes. However, once the scope of process governance is required to span multiple IT organizations or business units, this model begins to break down and a separate function focused on Service Delivery is required as is explained in the next section.*

## **4.6 A New Organizational Construct – The IT Service Delivery Function**

The alterative approach to placing Service and Process Ownership within existing structures and departments is to create a new structure within IT reporting directly to the CIO (Figure 8). Many organizations designate this new organizational group as the Service Delivery or Service Management function. The function is typically led by a

## The Evolving IT Service Organization

Senior IT Executive who manages a set of roles responsible for the governance and ownership of Service Management processes that span the entire IT function.

While this description represents the ideal placement for this function, many organizations introduce the ITSM processes through an infrastructure initiative and may not have the ability to establish an organization structure which has an enterprise IT governance mandate. For this scenario, it is not uncommon to see the new Service Delivery function report to the head of the infrastructure organization. While this is not ideal, it can be the first step in applying this model.

Depending on the size of the organization or the transactional volume of the processes, a small team of individuals may support these central process roles. However, these roles are primarily involved in process governance, reporting and continuous improvement. The majority of the process activities are typically still done by individuals distributed within the other organizational structures and groups.

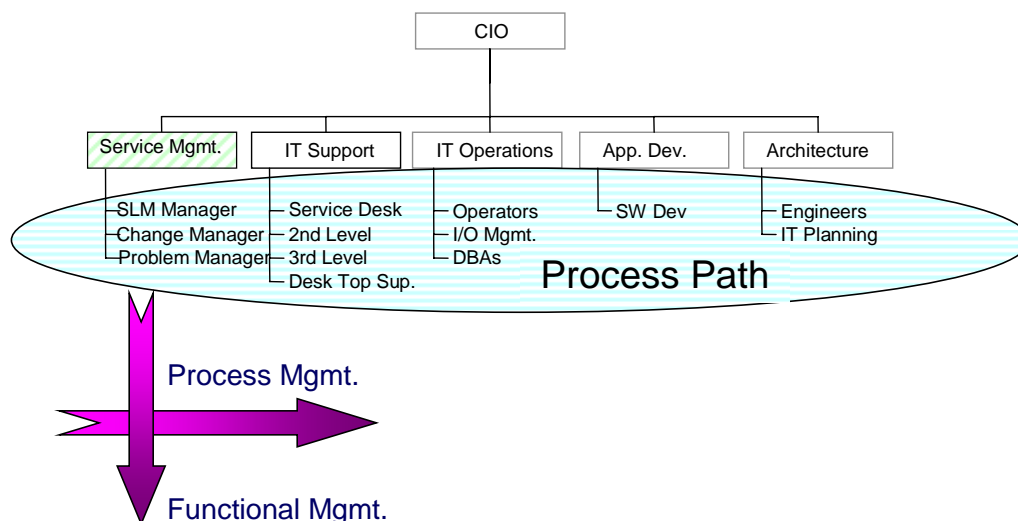


Figure 8 – Model 2: IT Service Delivery Function

### Pros:

- This model sends a clear message to the IT organization that processes cross the entire IT function. Unlike the previous model, this approach creates an explicit matrix and calls out the fact that that Process Ownership is outside a traditional IT domain or technology platform. The existence of a matrix is unavoidable in both models; however, the best way to deal with a matrix is to clearly acknowledge that you have one and then develop clear policies and guidelines to help individuals know how and when to prioritize their time



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- The new organizational structure and roles sends a clear message to the IT groups and domains that Senior Management supports the implementation and governance of management processes
- This organizational structure is especially beneficial to global (multi-national) companies who expect consistent operations but must attend to local staffing and operational needs
- This model removes any potential conflict of interest when an individual reports to a functional manager and represents the interest of an enterprise process
- By establishing Process Ownership with a single individual outside of the existing organizational structure, the designated Process Owner can typically handle more than one process unless the size of the organization makes this difficult

### Cons:

- While it is very common to have a single individual own more than one process, this model typically requires the creation of new resource requirements and the implementation of a significant organizational change. However, the additional staffing required should result in a limited impact to the organization. The efficiencies of the model and productivity improvements in the functional groups will satisfy the increased staffing required to support the matrix group
- This organizational structure can be stigmatized as a staff function as it seems to be more governance in nature rather than operational. Attention must be given to ensure that clear deliverables and responsibilities are called in out in the group's charter.

### Implementation Approach:

- **Service Ownership:** For Service Ownership this model makes sense only when the organization is large enough to have multiple regions offering the same service. In this instance, the Global or Regional Service governance and ownership can be overseen by a central role focused on overall service planning and coordination while Service Delivery is maintained locally
- **Process Ownership:** This model is the recommended approach on how to establish centralized Process Ownership within a vertically organized IT organization. As indicated earlier, it is the process governance, ownership and measurement that is centralized – not the operational task execution.

## 5 SERVICE LEVEL MANGEMENT & THE SERVICE ORGANIZATION

As discussed in the previous section, IT Services are supported and delivered by IT processes. However, both of these elements are delivered and managed as horizontal elements within a traditional vertical structure organized around technology domains.

In this environment, the Service Level Management (SLM) process plays a critical role. The SLM process and roles provide a single face of IT to the business customer (Figure 9). SLM also ties together the traditional silo-based organization while providing guidance and policy around resource prioritization based on established Service Delivery agreements.

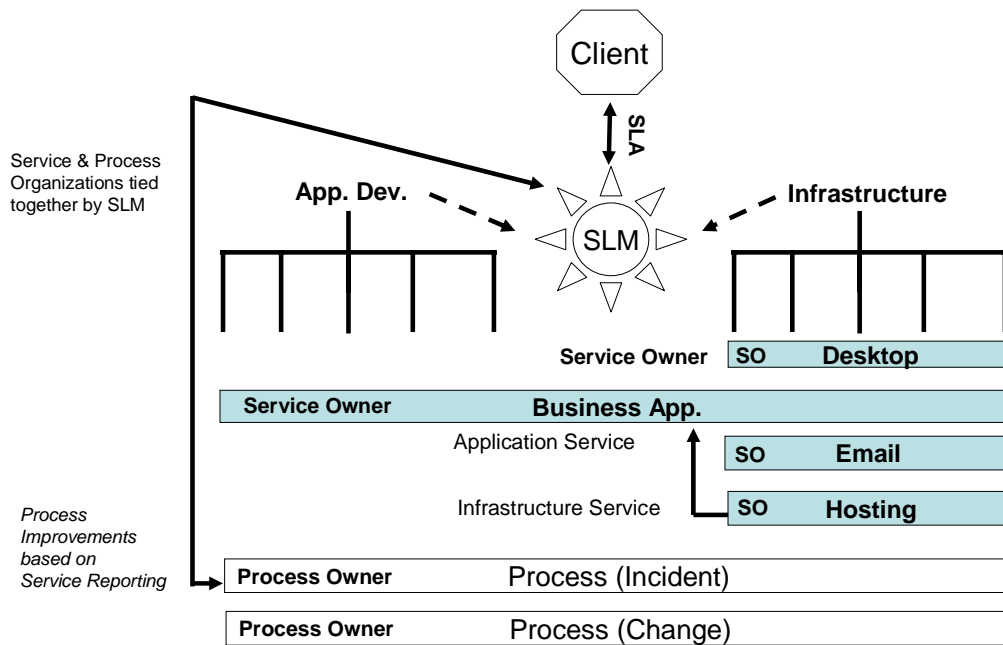


Figure 9 – SLM As The Face Of IT To The Customer

In this model, the relationship of IT as an enterprise service organization is front-ended by the SLM process. It is supported by the establishment of a Service Catalog from which the roles of SLM engage with and negotiate SLAs.

The key element of this model is that IT is presented as a single provider to the business customer. This remains true regardless of whether or not elements of the IT services are outsourced to external providers. SLM and its Service Catalog provide a single face for IT to the business from which it can define the delivery of end-to-end services.

SLM, by its definition of IT Services in the Service Catalog, provides the critical business context and prioritization required by IT to ensure that its actions reflect the best interests of the stated goals of the business. The gathering of requirements and the establishment



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of business-facing service agreements drive the development and improvement of the processes which support them.

The SLM process has as its focus:

1. The establishment of business requirements.
2. The identification of new services required by the business
3. The measurement of Service Delivery against these requirements.
4. The reporting of how these services are being delivered to the business partner.
5. The identification of where improvements need to be made within IT Services and or the processes which deliver them.

In essence, SLM plays an important role in a Service Management focused organization in that it facilitates the definition and management of IT services. The SLM process provides guidelines for collaboration with the management roles of Technology Domains, Services and Processes.

## 6 THE EVOLUTION OF THE SERVICE DELIVERY ORGANIZATION

A key focus of ITIL V3 is the design and management of the service portfolio within the context of a Value Service Network. The central premise of the Value Service Network is that there are three primary types of IT service providers that work together in an integrated model to provide value based service outcomes to business customers.

The three primary provider types discussed in this Value Network are:

- IT service providers which are embedded within and are funded by a specific business unit in order to focus on the needs of that customer
- External IT service providers which provide contracted services to either an internal IT service provider or directly to the business customer
- Shared service providers which provide common IT services to all business units at varying levels based on need

# Value Service Network

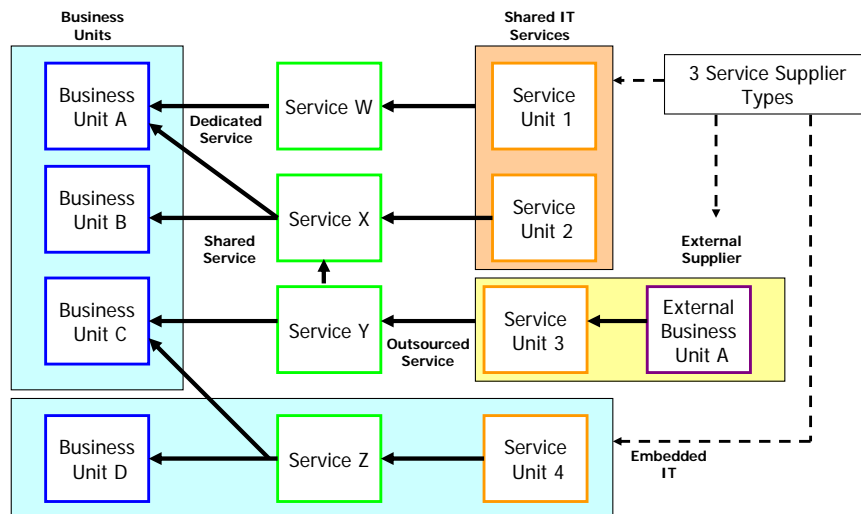


Figure 10 – Value Service Network

A critical aspect of IT strategy is defining the right mix of all three types and then ensuring that common processes and tools are deployed across the entire Value Service Network in order to ensure each service provider delivers their services collectively in accordance with business requirements and agreements



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An interesting trend that can be observed in many IT organizations today is the evolution of a shared services group that focuses on aspects of Enterprise IT Governance and Service Delivery. One of the primary drivers behind its gradual creation is the challenge of managing a complex Value Service Network without a central governance function which exists and is empowered to work at a level spanning all of the various IT silos managed by the three provider types.

In many companies today the historical context of task segmentation discussed earlier in this paper has left the governance of IT in a largely distributed state. The result of this distribution is that groups that by right should have an enterprise mandate and authority find themselves located in an infrastructure or application based silo with a conflict of interest on one hand and a lack of authority outside of their particular silo on the other. As IT organizations realize this challenge they begin to extract out of the traditional IT infrastructure and application silos the groups and functions that provide a shared enterprise governance service.

The concept of a shared services organization is not new to IT. For reasons of efficiency and lower transactional costs, IT organizations have been consolidating shared infrastructure, networks, data centers and major business applications for several years. However, a more recent trend is the consolidation of professional service groups into a new shared services organization focused not only on technology optimization and cost reduction but on ensuring the delivery of business value from strategic IT services.

As organizations become aware that services are agnostic to technology silos they also understand that many of the professional services they provide, such as project management, consulting, internal audit, application development, IT Service Management, engineering and architecture need to be standardized, integrated and centralized for reasons of both efficiency as well as governance oversight. The centralization of these groups and their eventual consolidation under a single shared services model is what this paper is referring to as the “Evolving Service Delivery Organization.”

For example, many organizations have already established a separate corporate Project Management Office (PMO) or have created an IT Security and Risk Management group as separate IT functions that now reside outside the traditional application and infrastructure silos. Some IT organizations have also moved other groups out of their technology silos, such as IT planning and architecture.

To understand these actions, we need to consider that in each case these groups were separated or extracted from the infrastructure and application verticals for many of the same basic reasons. Each group has an enterprise mandate but it is often found that they struggle with a conflict of interest by being placed within either an application or an infrastructure group with a vertical or domain focus. To resolve this issue, organizations have structurally removed them from their traditional positions in the organizational chart

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and have created their own separate management groups specifically focused on servicing the enterprise.

An unattractive alternative to this approach would be to create multiple redundant groups in every management silo offering the same services, where in some cases they actually compete with each other for business. One alternative to completely centralizing a shared professional service, such as project management, is to create a federated model where a small central project management office centrally manages a distributed or federated resource pool. The PMO provides a single point of contact and receives, coordinates and sources all requests for project managers from the resource pool of project managers across the various IT domains.

The inherent conflict of interest, removal of redundancy and the goal of enterprise Service Delivery that has driven these changes in groups such as Project, Security and Risk Management are the same challenges faced by the Service Management roles of Service and Process ownership.

Based on these trends what can be observed occurring over time is the evolution of a third IT management silo that houses the enterprise Service Delivery and governance functions of IT management.

Typically, we see a natural progression of an organization's move to a Service Delivery model through a very predictable sequence.

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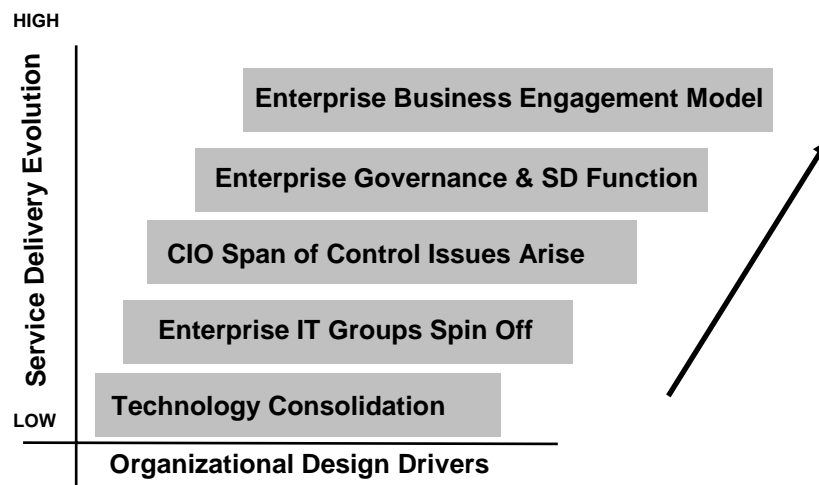


Figure 11 – The Evolving IT Service Organization

## The Evolving IT Service Organization

- 1) Cost pressures or legislation force consolidation of key services and functions.
- 2) Enterprise IT functions such as a PMO, Security, HR and IT Finance are created or consolidated as separate management structures.
- 3) Initially, these groups report to either the application or infrastructure executives.
- 4) Organizational or authority challenges force consideration that these functions actually belong outside each of these silos. The individual groups are transitioned as stand-alone functions.
- 5) For a time, these separate functions report directly to the CIO; however, as more and more enterprise functions are defined, a span of control issue is created with too many direct reports to the CIO.
- 6) To resolve the span of control issue and the organizational challenges, a new Senior Executive is established and is given the mandate of IT Governance or Service Delivery which includes the oversight of these enterprise functions, including ITSM.
- 7) Eventually, the Service Delivery organizations represent the enterprise IT function to the business and facilitate the primary business engagement processes between the customer, the IT service owners and IT engagement roles supplied by SLM. This process is front ended by the IT Service Catalog.

Based on this set of observable evolutionary steps, the following picture (Figure 12) presents a model of an example end-state Service Delivery organizational design. It is interesting to note that many organizations have begun to follow this path without perhaps realizing why.

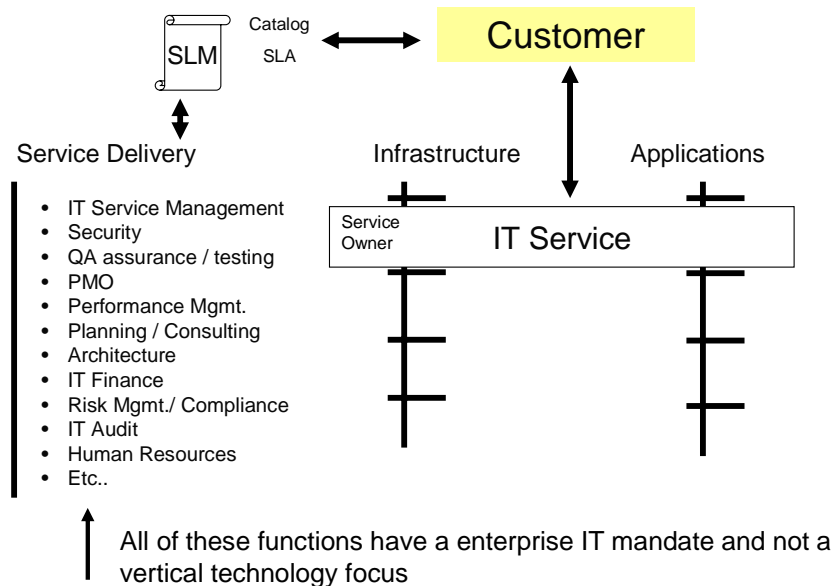


Figure 12 - Example End-State Service Delivery Organizational Design



Implementing a Service Delivery structure such as this presents the following benefits:

- Consolidation of key IT services with an enterprise IT mandate
- Supporting the infrastructure and application groups in their goal of IT domain optimization while at the same time establishing the governance and ownership structures required to support IT Service Delivery across both internal and external providers
- Removing potential conflicts of interest from IT groups with an enterprise mandate which find themselves within traditional vertical IT silos
- Establishing a core IT Governance and Service Delivery function which supports the ability to selectively outsource elements of the application and infrastructure silos
- Providing IT with a single face and business engagement model with the business customer
- Focusing a key element of the IT organization on Service Delivery based on managed clear business requirements
- Ensuring that IT manages against three types of measures:
  - Business Service Metrics
  - Technology Metrics
  - Process Improvement Metrics



## 6.1 Impact On IT Outsourcing

The use of external service providers is an emerging trend in the business of supplying IT Services. The Service Delivery function that has been described in this document is especially critical when a decision has been made to outsource key elements of the IT Organization.

External business legislation has made it clear that while the execution of IT technology functions can be outsourced, governance and accountability can never be given away to an external provider. Ownership, measurement and oversight of continuous improvement must be kept within the internal IT function. For this reason, the new Service Delivery function represented in Figure 12 is necessary to enable IT outsourcing options while maintaining governance, ownership and measurement internally

The use of external providers can range from highly-defined contracts that “out-task” relatively small blocks of service to full “soup to nuts” managed services contracts in which a customer monitors service provisions and alters their characteristics in real time. Outsourcing individual technology functions is a more common activity than outsourcing an organization’s entire IT infrastructure and management. Outsourcing literature now places less importance on hard dollar cost savings and more importance on business benefits, the soft dollar (or qualitative) savings, and the strategic purposes of outsourcing selective pieces of the IT environment for just-in-time resource availability.

The complexity that this model presents makes the creation of a strong and empowered Service Delivery function all the more compelling. IT must present a transparent and unified Service Delivery capability to its business customer regardless of which parts of the technology function are swapped in or out to internal or external providers.



## 7 SUMMARY

The influence of a Service Delivery organization is comprehensive and integrates with practically all areas of IT. For most organizations, the application of new structures, standards and controls described within this document will take time to fully realize. At a practical level, it is important to realize that the movement and organizational change requirements to accomplish this task will have to occur in a step fashion.

Technology management is focused on the cost-optimization of technology domains as uniquely managed silos, whereas a Service Management organization is also concerned with how technology components are assembled into services and their successful delivery. It is important to understand that the establishment of services and process structures within an organization must also be supported with the creation and empowerment of ownership and management roles.

Without these roles, the work to define services and processes has been largely done in vain with no lasting ability to survive or improve Service Delivery and Service Management for IT customers.

The difference between Technology Management and Service Management can be understood by the analogy presented by the differences between a Group and a Team.

- **Group (def):** A group is a set of individuals or a collection of smaller groups working in parallel according to a common or shared objective
- **Team (def):** A team shares the same characteristics as a group; but, in addition, a team practices and executes plays according to formal roles and a predefined game plan (services and processes)

A technology-focused organization is made up of sympathetic individual groups instead of performing like an integrated team!



## 8 ABOUT PINK ELEPHANT

Pink Elephant ([www.pinkelephant.com](http://www.pinkelephant.com)) is the world leader in IT management best practices, offering conference, education and consulting services to public and private businesses globally, and many listed in the Fortune 500. The company specializes in improving the quality of IT services through the application of recognized best practice frameworks, including the Information Technology Infrastructure Library (ITIL®).

### Service Lines

Pink Elephant's service lines each provide different, but complementary business solutions:

- **Business Process Consulting:** Using the ITIL best practices approach to IT Service Management as a springboard, Pink Elephant provides end-to-end solutions – from assessments, to strategic planning to implementation, continuous improvement and beyond. Experienced consultants work hand-in-hand with customers every step of the way
- **Conferences & Special Events:** Pink Elephant is the world's largest producer of IT Service Management conferences and delivers several major events per year
- **Education:** Pink Elephant is the most prolific creator and widespread distributor of ITIL training, delivering three levels of certification – Foundation, Practitioner and Management. Pink Elephant is internationally accredited by independent examination institutes that manage the ITIL certification program worldwide
- **ATLAS™:** ATLAS is a secure, web-enabled knowledge management system containing much of Pink's highly valued intellectual property – ready and waiting for users to access, copy, customize and re-use

### ITIL Leadership

Pink Elephant has grown to become recognized globally as The ITIL Experts and is very proud of its commitment to the ITIL best practice framework. In fact, Pink Elephant has been involved in the "ITIL project" since its inception in 1987, and was recently selected by the UK's Office of Government Commerce (OGC) to help author ITIL's next version. Furthermore, Pink Elephant:

- Supported the development of ITIL's core books:
  - Service Support (English and French editions)
  - Service Delivery (English and French editions)
- Launched PinkVerify™, the only independent certification program worldwide that recognizes software that supports specific IT management processes
- Created the International IT Service Management Conference and Exhibition, one of the largest events worldwide solely dedicated to ITIL



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- Facilitated plans for an ITIL examination center in North America (Loyalist College in Belleville, Ontario, Canada)
- Introduced ITIL internationally to companies across a wide variety of industries, sizes, technical platforms and corporate cultures
- First offered the Foundation, Practitioner and Management ITIL certification levels publicly in North America
- Was a founding member of the IT Service Management Forum (now *itSMF*) – the worldwide networking group for IT service management professionals

### Awards

Pink Elephant is recognized as a progressive and successful company and is the recipient of the following awards that reflect its corporate leadership excellence and business results:

- Top 100 Woman Entrepreneurs – 2001 – 2006: Awarded to Pink Elephant CEO, Fatima Cabral, by PROFIT magazine
- Ontario Global Traders Award – 2005: Awarded by the Ontario Government for achievements in innovation, leadership, product excellence and expansion into new markets
- Business Excellence Award – Awarded by the Federation of Portuguese-Canadian Business and Professionals to Pink Elephant CEO, Fatima Cabral
- Top 100 Fastest Growing Companies in Canada – Awarded annually by PROFIT Magazine. Pink Elephant was recognized as one of Canada's fastest-growing companies (based on a comparison of revenue growth for five consecutive years)
- Top 100 Canadian IT Professional Services Organizations – Awarded by Branham300
- EXIN Award: Given to the organization with outstanding achievements in promoting the IT Service Management framework outlined in the IT Infrastructure Library (ITIL) – the world's most popular set of IT management best practices

To learn more about Pink Elephant's services visit [www.pinkelephant.com](http://www.pinkelephant.com), or call us at 1-888-273-PINK.

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