Quick Reference Guide
ITIL® Service Strategy

WP0211 | October 2015

David Jones and
Roderick Brown

David Jones is a Senior Consultant with Enterprise Architects in Australia, specializing in Enterprise Architecture, particularly Business Architecture. He is also an experienced practitioner in business process improvement and simplification. David has worked with many sector clients, undertaking assignments in Financial Services, Telecommunications and Power Utilities.

Roderick Brown is a freelance Consultant working in Melbourne, Australia, specializing in Business Architecture, particularly in Process Architecture. He is also an experienced practitioner in business process improvement and simplification. Roderick has worked with many sector clients, undertaking assignments in Banking, Investment Management and Wealth Management.

David and Roderick are passionate about helping organizations understand and document their own business processes, using frameworks such as APQC's Process Classification Framework and standards such as BPMN as well as applying simple approaches to improve and simplify these business processes.

Abstract

This Quick Reference Guide provides a summary of the Service Strategy lifecycle for the Information Technology Infrastructure Library, more commonly ITIL. The information contained is derived from the Axelos ITIL Foundation Handbook and supplemented from the ITIL Service Strategy Lifecycle publication. The document is based on ITIL 2011.

Figure 1: ITIL Service Stategy

Access our **free**, extensive library at
www.orbussoftware.com/community

Table of Contents

Table of Figures

© Orbus Software 2015

Introducing ITIL Service Strategy

Background

ITIL is the well-known set of practices for IT service management (ITSM) that focuses on aligning IT services with the needs of business.

Figure 2 provides a high level overview of the complete ITIL service lifecycle.

Overview

Service Strategy is usually seen as not only the starting or entry point of the overall ITIL service lifecycle, but also the core of the overall ITIL service lifecycle. Within the ITIL service lifecycle, Service Strategy sets the stage for developing the capabilities and services to achieve the desired strategy of the provider of service (see Figure 3).

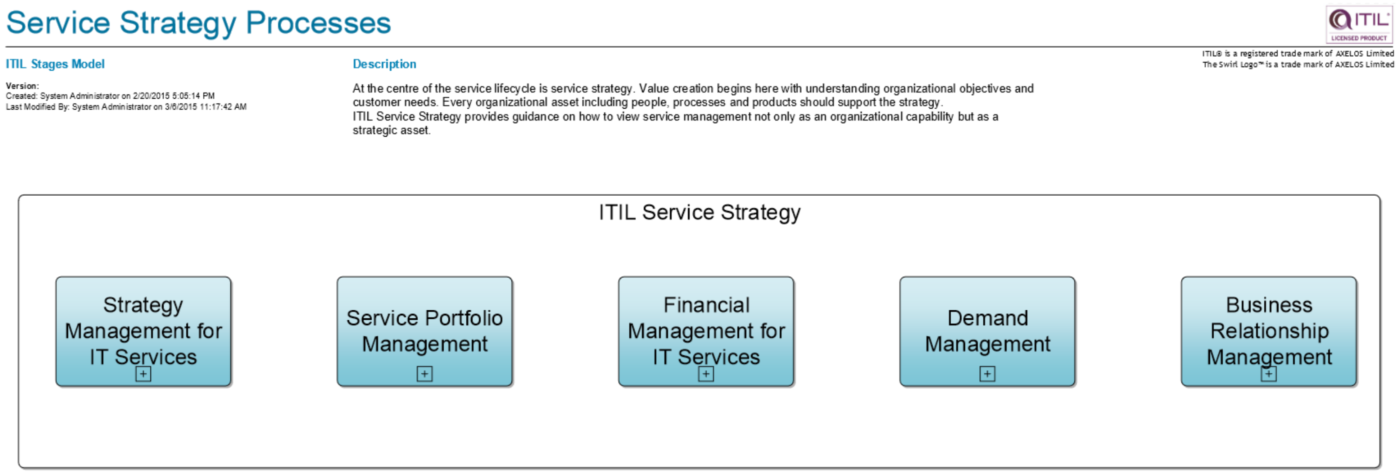

Figure 2: ITIL Service lifecycle

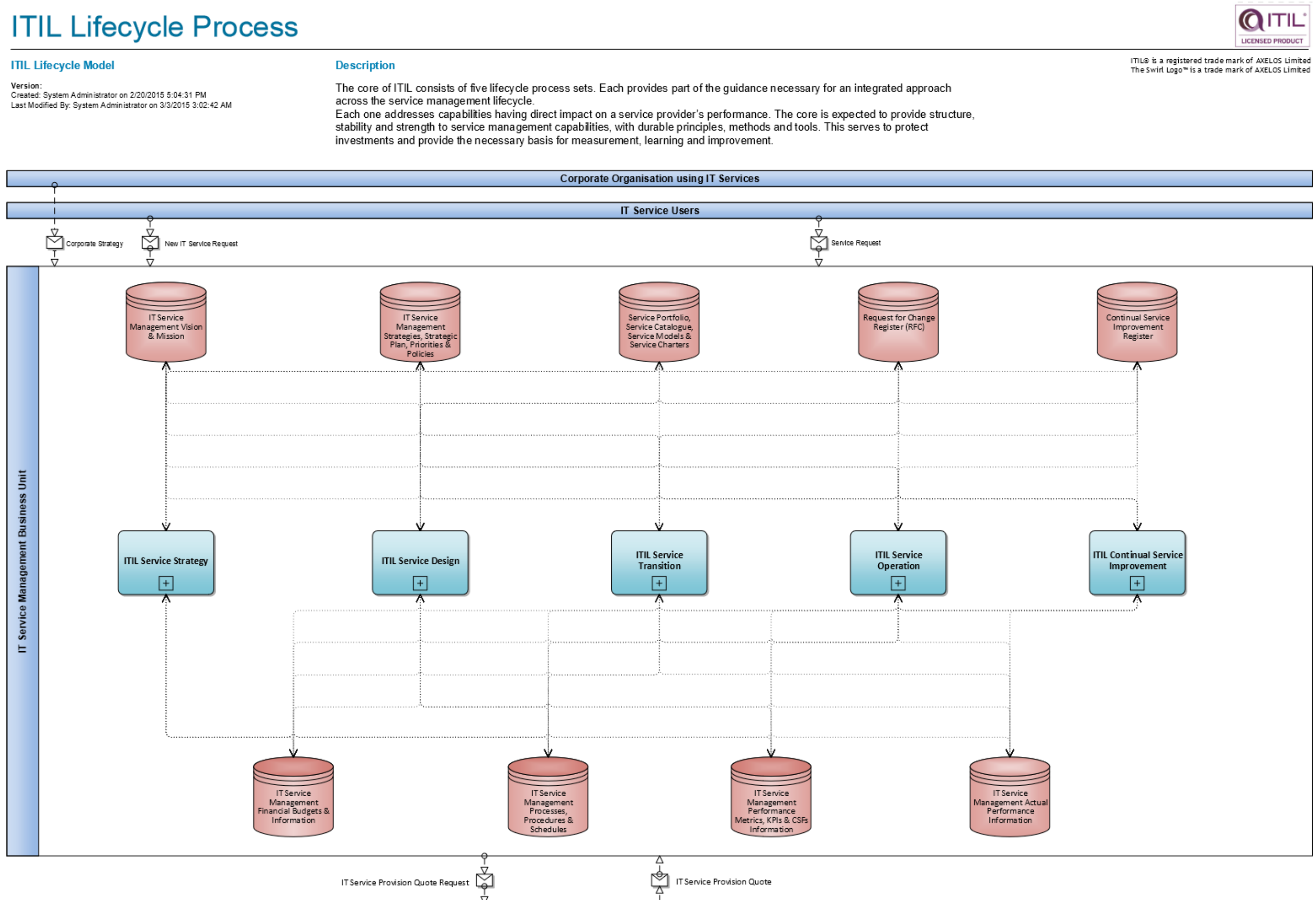

Figure 3: Service Strategy Overview

© Orbus Software 2015

Purpose and Objectives

The purpose of Service Strategy is to define the overall business motivation, covering the Ends (consisting of the vision, goals and objectives) and the Means (consisting of means, strategies and tactics) that a service provider needs to consider in order to be able to meet its desired business objectives.

The objectives of the Service Strategy will provide the service provider with:

- An understanding of the overall strategy
- The necessary processes to:
    - Define its service strategy
    - Identify the services needed to provide in order to achieve its strategy
    - Estimate the levels of demand of its services to expect as a result of its strategy
    - Determine the investment required to achieve its strategy
    - Establish a working relationship between the service provider and its customers
- Clear defined services and the expected customers for them
- Articulate how the services will be created, delivered and funded, who they will be delivered to and how each service delivers value
- Understand the organizational capabilities required to deliver the service strategy
- Clarify which of its service assets will be used to deliver each service and how performance of these service assets will be optimized.

ITIL Service Strategy is appropriate for the use of both internal and external service providers.

Service Strategy Processes

The processes contained within the Service Strategy lifecycle are:

- Strategy Management for IT Services
- Service Portfolio Management
- Financial Management for IT Services
- Demand Management
- Business Relationship Management.

Strategy Management for IT Services

Overview

Strategy management for IT services is the process of defining and maintaining an organization's perspective, position, plans and patterns with regard to its services and the management of those services. Strategy management for IT services is the process that ensures that the strategy is defined, maintained and achieves its purpose.

Purpose and Objectives

The purpose of strategy management for IT services is to ensure that a service strategy is defined, maintained and managed to achieve its purpose.

The objectives of strategy management for IT services include:

- A clearly articulated statement of the service provider's vision and mission, that is regularly reviewed (the service provider's perspective)
- A definition of what services will be provided by the service provider, to what market spaces, and how competitive advantage will be maintained (the service provider's position)
- Production, communication and maintenance of the service provider's strategic planning documents (the plans)
- Definition of how the service provider will organize itself to enable the business objectives to be met – the service provider's patterns.

© Orbus Software 2015

Activities for Strategy Management for IT Services

The key activities undertaken for Strategy Management for IT Services are:

- Strategic assessment
- Strategy generation, evaluation and selection
- Strategy execution
- Measurement and evaluation

Triggers, Inputs, Outputs and Interfaces

Triggers

- Annual planning cycles
- New business opportunity
- Changes to internal or external environments
- Mergers or acquisitions.

Inputs

- Existing plans
- Research on aspects of the environment
- Vendor strategies and product roadmaps
- Customer interviews and strategic plans
- Service portfolio
- Service reporting
- Audit reports.

Outputs

- Strategic plans, especially the service strategy
- Tactical plans
- Strategy review schedules and documentation
- Mission and vision statements
- Policies
- Strategic requirements for new services, and input into which existing services need to be changed.

Interfaces

- *Service Portfolio Management:* Provides the guidelines and framework within which the service portfolio will be defined and managed.
- *Financial management for IT services:* Provides the financial information and tools to enable prioritization of actions and plans, and indicates what types of returns are required and where investments need to be made.
- *Service design:* Enables measurement and evaluation of the services being designed, and identifies any policies and constraints that must be taken into account when designing services, and a clear prioritization of work.
- *Service transition:* Enables service transition to prioritize and evaluate the services that are built to ensure they meet the original intent and strategic requirements of the services. Any variations detected during service transition are fed back so that the existing strategy can be reviewed.
- *Knowledge management:* Structures the information used to make strategic decisions.
- *Service operation:* Operational tools and processes must be aligned to the strategic objectives and desired business outcomes, and monitoring of operational environments should be instrumented so that the execution of operational activities indicates the effectiveness of the strategy.
- *Continual Service Improvement:* Helps to evaluate whether the strategy has been executed effectively, and whether it has met its objectives. Any deviations are reported to enable process improvements or strategy adjustments.

© Orbus Software 2015

Service Portfolio Management

Overview

The service portfolio is the set of services managed by a service provider. The service portfolio manages the entire lifecycle of all services. It covers three categories of service:

- Service pipeline (proposed or in development)
- Service catalogue (live or available for deployment)
- Retired services.

The service portfolio represents the investment made in an organization's services, and describes the value realized by the services. Consequently, service portfolio management is the process that is responsible for defining which services enter into the service portfolio and how those services are tracked and progressed through their lifecycle.

Purpose and Objectives

The purpose of service portfolio management is to ensure that the service provider has the right mix of services to meet its overall service strategy.

The objectives of service portfolio management include:

- Enabling a service provider to investigate and make decisions on which services to provide and which to retire, based on an analysis of the risk and potential return
- Management of a definitive portfolio of services, including a clear articulation of the business needs that each service addresses and the business outcomes it supports
- Evaluation of the degree to which each of its services enables the service provider to achieve its service strategy
- Control of which services are offered, under what conditions and at what level of investment
- To track each investment in service throughout the lifecycle of each service.

Activities for Service Portfolio Management

Service portfolio management consists of four main phases of activity:

- *Define Services:* Collection and validation of the inventory of all existing and proposed services including their business cases.
- *Analyze Service Requirements:* Identification of the services needed for the service provider to achieve its service strategy, how well the existing service portfolio meets these needs, and how to prioritize and balance supply and demand.
- *Approve Service:* Every service in the service portfolio, along with its required investment, needs approval. All service portfolio changes also need approval, including the retirement of services.
- *Establish Service Charter:* A charter is required to authorize each project to build, enhance or retire a service. The charter documents the scope and terms of reference along with approval decisions relating to agreed changes to the service portfolio.

Triggers, Inputs, Outputs and Interfaces

Triggers

- Changes to the service strategy
- Request for a new service or change to existing service
- Continual service improvement initiatives
- Feedback from design, build, transition, operations, service level management or financial management teams.

Inputs

- Strategic plans
- Financial reports
- Requests, suggestions and complaints from the business
- Project updates for services in the charter stage.

© Orbus Software 2015

Outputs

- Service portfolio updates
- Service charters authorizing creation of new or changed services
- Reports on the investment and returns from services
- Change proposals to change management
- Identified strategic risks.

Interfaces

- *Service catalogue management:* Service portfolio management determines which services should be in the catalogue, service catalogue management performs the activities required for this to be done.
- *Strategy management for IT services:* Defines what type of services should be in the portfolio, investment objectives and market space targets.
- Financial management for IT services: Provides the information and tools to enable service portfolio management to perform ROI calculations.
- Demand management: Provides information about PBA.
- Business relationship management: Keeps customers informed on the status of services and provide inputs from the customers.
- Service Level Management: Provides feedback on actual service performance.

Financial Management for IT Services

Overview

IT Services, like every other aspect of any business, needs careful financial management, which is covered by three core aspects, each of which generally has an annual planning cycle and a monthly operational monitoring and reporting cycle:

- Accounting: The means by which the service provider accounts for monies received and spent.
- Budgeting: Used to predict and control the service provider's income and expenditure.
- Charging: The mechanism by which the service provider invoices its customers for supplied services.

Purpose and Objectives

The purpose of financial management for IT services can be summarized as:

- To secure the appropriate level of funding to design, develop and deliver the IT services required to support the service strategy
- To ensure that the IT service provider does not commit to services that it is unable to deliver
- To identify the balance between service cost and quality, and supply and demand.

Objectives include:

- Define and maintain a framework to:
- Secure funding to manage the provision of services
- Identify, manage and communicate the cost of providing services
- Recover costs of service provision (and required profit, in the case of external service providers)
- Evaluate the financial impact of new or changed strategies
- Execute enterprise and IT service provider specific financial policies and practices

© Orbus Software 2015

- Account for the money spent in the development, delivery and support of services
- Forecast the financial requirements for the service provider.

Activities for Financial Management for IT Services

Financial management for IT services includes accounting, budgeting and charging:

- *Accounting:* Tracking income from services against actual costs of delivery, comparing actual costs with budgets and managing any variance.
- *Budgeting:* The activity of predicting and controlling the spending of money, including:
- *Charging:* This is optional for internal service providers, depending upon their organization's overall enterprise financial management policies. For external service providers there is no option – this is the means by which the service provider gains revenue and profit. Charging encompasses:

Triggers, Inputs, Outputs and Interfaces

Triggers

- Periodic reporting cycles
- Audits
- Requests for financial information from other service management processes
- The introduction of charging for internal IT services, or the need to determine the price of an external service.

Inputs

- Legal, regulatory and enterprise financial management policies, standards and practices
- Generally accepted accounting practices
- Data sources where financial information is stored (supplier database, configuration management system etc.)
- The service portfolio.

Outputs

- Service valuation
- Service investment analysis
- Compliance
- Cost optimization
- Business impact analysis
- Planning confidence.

Interfaces

- *All service management processes:* Financial management for IT services is used in each process to determine costs and benefits of each process.
- *Strategy management for IT services:* Translating organizational strategy into service strategy.
- *Service portfolio management:* Providing the structure used to define cost and charging models.
- *Business relationship management:* Providing input into financial management on how the business measures the value of services.
- *Capacity and availability management:* Providing service performance information.

© Orbus Software 2015

Demand Management

Overview

Demand management covers the identification and analysis of the patterns of business activity that initiate demand for services, and identification and analysis of how different types of user influence the demand for services.

Demand management is active in every stage of the service lifecycle, and works closely with several other processes, especially capacity management.

Purpose and Objectives

The purpose of the demand management process is to understand, anticipate and influence customer demand for services, and the process by which sufficient capacity is provisioned to meet the identified demand.

The objectives of demand management include:

- Understand the levels of demand that will be placed on a service
- Understand the profiles of demand through analysis of the user profiles of the different types of users of each service
- Ensure services are defined to meet the expected patterns of business activity
- Ensure that adequate resources are available to meet the demands of the service through close collaboration with capacity management.

Activities for Demand Management

The following activities, methods and techniques can be selected and applied as needed to perform demand management:

- *Identify sources of demand forecasting:* Identifying any documents, reports or information to provide insight in support of forecasting.
- *Patterns of Business Activity:* Representing the dynamics of the business through interactions with customers, suppliers, partners and other stakeholders.
- *User Profiles:* Based on roles and responsibilities within organizations, each user profile can be associated with one or more patterns of business activity.
- *Activity-based demand management:* Analyzing and tracking of the activity patterns enables prediction of demand for the services that support the process, which enables prediction of demand for the underlying service assets that support those services. Activity-based demand management can consolidate demand patterns to ensure customer business plans are synchronized with service management plans, such as the capacity plan.
- *Develop differentiated offerings:* Analysis of patterns of business activity can be used to identify different levels of performance required at different times, or different combinations of utility. In these cases, it is also important to work with service portfolio management to define service packages that meet the patterns of business activity variations.
- *Management of operational demand:* It is important to be able to manage or influence demand where services or resources are being over-utilized.

Triggers, Inputs, Outputs and Interfaces

Triggers

- A request for a new service, or change to an existing service
- Creation of a new service
- A service model needs to be defined, and patterns of business activity and / or user profiles must be defined
- Utilization rates are causing potential performance issues, or a potential breach of a service level agreement
- An exception has occurred to forecast patterns of business activity.

© Orbus Software 2015

Inputs

- Initiative to create a new service, or to change an existing service via service portfolio management or change management
- Service models
- The customer portfolio, service portfolio and customer agreement portfolio
- Charging models
- Chargeable items
- Service improvement opportunities and plans.

Outputs

- User profiles
- Patterns of business activity
- Policies for management of demand when resources are over-utilized
- Policies for how to deal with situations where service utilization is higher or lower than anticipated by the customer
- Documentation of options for differentiated offerings that can be used to create service packages.

Interfaces

- *Strategy management for IT services:* Identifies the key business outcomes and business activities that are used to establish patterns of business activity and user profiles.
- *Service portfolio management:* Uses information from demand management to create and evaluate service models, to establish and forecast utilization requirements and to identify the different types of user of the service.
- *Financial management for IT services:* Helps to forecast the cost of providing the demand based on forecast patterns of business activity, identify measures to regulate demand when there is over-utilization of the service and identify the relative costs of each differentiated offering.
- *Business relationship management:* Is the primary source of information about the business activities of the customer and is useful in validating the user profiles and differentiated service offerings before they are confirmed in the customer and service portfolios.
- *Service Level Management:* Helps to formalize agreements in which the customer commits to levels of utilization, and the service provider commits to levels of performance. Demand management works with service level management to define policies for how to deal with variances in supply and demand.
- *Capacity management:* Works with demand management to define exactly how to match supply and demand in the design and operation of the service. Capacity management monitors the actual utilization of services and works with demand management to understand trends of utilization and how to adjust the services for future use.
- *Availability management:* Uses information about patterns of business activity to determine when service availability is most important, useful for performing service outage analysis and project service availability reporting.

© Orbus Software 2015

Business Relationship Management

Overview

Business relationship management is the process that enables business relationship managers to provide effective links between the service provider and its customers, so that the service provider can understand the business requirements of their customers and provide services that meet the needs of their customers. The success of the business relationship management process is primarily indicated by the measure of customer satisfaction within the service provider's customer base.

Purpose and Objectives

The purpose of the business relationship management process includes:

- Enabling effective business relationships between the service provider and its customers.
- Identifying customer needs and ensuring that the service provider continues to recognize and understand each customer and their individual business needs as they change over time.
- Assisting the customer to understand the value of the service(s) provided and ensuring customer expectation does not exceed what they are willing to pay for.
- Ensuring that the service provider fully understands the customer requirement and is able to meet the customer's expectations before agreeing to deliver the service.

Business relationship management objectives include enabling the service provider to:

- Prioritize its services and service assets to meet their customers' perspective of service requirements
- Sustain high levels of customer satisfaction
- Establish and maintain constructive business relationships with its customers
- Identify changes in its customers' environments and technology trends that could impact the services to individual customers
- Establish and articulate its customers' business requirements for services
- Mediate in situations where there are conflicting requirements for services from different customers
- Establish formal complaints and escalation procedures for each of its customers.

Activities for Business Relationship Management

Business relationship management spans every stage in the service lifecycle, but it is rarely executed as a single, end-to-end process. Essentially, business relationship management involves two core activities:

- Representation of the service provider to its customers – through marketing, selling and delivery activities
- Ensuring the service provider's responses to customer requirements are appropriate – through work with service portfolio management and design coordination.

Triggers, Inputs, Outputs and Interfaces

Triggers

- New strategic initiatives
- New or changed services
- New opportunities
- Customer requests
- Customer complaints.

Inputs

- Customer requirements
- Customer requests, complaints, escalations or compliments
- The service provider's service strategy
- The customer's strategy

© Orbus Software 2015

- The service portfolio
- Service Level Agreements
- Patterns of business activity and user profiles.

Outputs

- Defined business outcomes
- Agreement to fund (internal) or pay for (external) services
- The customer portfolio
- Service requirements for strategy, design and transition
- Customer satisfaction survey results.

Interfaces

- *Strategy management for IT services:* Identification of market spaces from information gathered from customers by business relationship management.
- *Service portfolio management:* Customer requirements and environment information gathered by the BRM is essential in the creation of service models and in the assessment of proposed services for suitability.
- *Financial management for IT services:* Input of customer financial objectives gathered by the BRM.
- *Demand management:* Assistance provided by the BRM in the identification of patterns of business and user profiles, along with ongoing changes to these patterns and profiles.
- *Service Level Management:* Information provided by the BRM on customers' service requirements.
- *Availability management:* Uses information about PBA to determine when service availability is most important, useful for performing service outage analysis and project service availability reporting.

© Copyright 2015 Orbus Software. All rights reserved.

No part of this publication may be reproduced, resold, stored in a retrieval system, or distributed in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the copyright owner.

Such requests for permission or any other comments relating to the material contained in this document may be submitted to: marketing@orbussoftware.com

Orbus Software
3rd Floor
111 Buckingham Palace Road
London
SW1W 0SR
United Kingdom

+44 (0) 870 991 1851
enquiries@orbussoftware.com
www.orbussoftware.com