IT Service Management PV203

Vladimír Vágner

21.02.2023

IBM Services

FAKULTA
INFORMATIKY
Masarykova univerzita

IBM

1

What shall we discuss today?

IT Services Delivery models, IT Services Outsourcing

Determining the correct service delivery model is critical to businesses in order to achieve a quality outcome on time and within budget.

GLOBAL DELIVERY MODELS

A well-designed IT Service Delivery Model is critical to achieving success in IT management and operations

IBM

The service delivery model **refers to "tiers" which are commonly used in describing work within shared services**. It reflects the points of service and desired escalation path for administrative and transactional inquiries and requests received by a function.

3

Key Components of a Robust IT Service Delivery Model

Governance	Organization	Operational Processes	Performance Management
Executive Oversight	Organizational design	Portfolio management	Performance Management framework
Explicit alignment of business and IT strategy	Roles and responsibilities	Enterprise architecture	Cost and performance transparency
Project Prioritization	Centralized vs. distributed activities	Infrastructure optimization	Common metrics / targets definition
Budgeting and Funding	In-house vs. outsourcing	Vendor management	Alignment of service levels and business needs
Enforcement and adherence	Staff competency model	Project / program management	
Proactive issue and risk management	Integration across technology platforms	Application development / maintenance	Corrective actions

    IBM

Governance is the action or manner of governing the state, organization etc.

ITSM and esp. it's frameworks supports success in design, implementation and operation of the Services Delivery Model.

IBM

Business Drivers
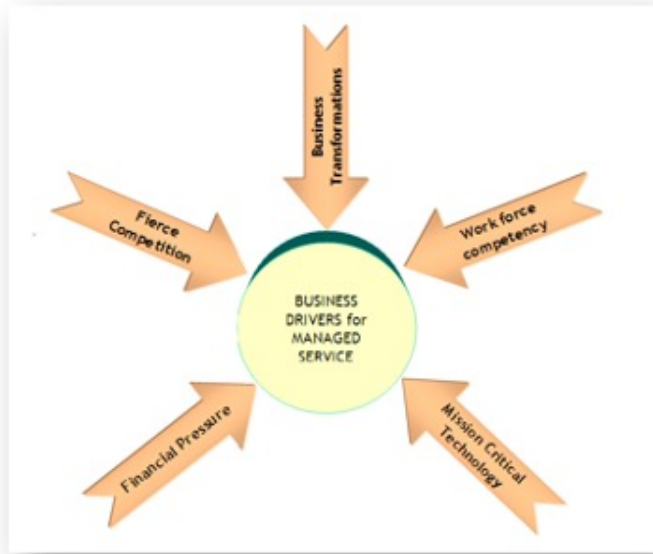
Delivery models

1. Staff augmentation
2. Out-tasking
3. Project-based outsourcing
4. Managed services

- **Staff augmentation** - This model provides specialized resources, cost flexibility and satisfies short-term time-to-market demands. The staff augmentation model allows organisations to add staff to their existing teams based on the additional skills required to support their initiatives. This model allows rapid access to missing capabilities and skills.

Staff augmentation usually requires minimal contracting effort, has a simple cost model (i.e. rate times hours worked), can scale up or down quickly and has minimal impact on the existing operating model of the IT function within an organisation.

This approach allows organisations to augment existing in-house staff with outsourced workers. It usually leaves the management and technical leadership with the client while standard activities (e.g. development and testing) are augmented with service acquisition from a supplier.

With the Staff Augmentation model, the span of responsibility is usually quite narrow. It may include prototyping or technical implementation tasks as well as development and testing, nevertheless the product vision and decision scope of the augmentation team members is limited because they are directed by the client.

The typical client business driver for such a model is cost reduction.

The model allows for quick access to missing capabilities and skills, avoids of

7

direct hiring and firing costs and is able to respond to staff shortages due to unexpected events. Costs are scalable to demand. However in the long term costs may be higher than Managed Services and there is a high client involvement in managing the extra resources.

- **Out-tasking** - This model is suitable for short-term business needs, to fill skill gaps. However the integration of different out-tasked outcomes may not be a seamless one.

- **Project-based outsourcing** - Vendors and clients share risks and rewards through this collaborative model. This model has high client benefits as it holds the vendor accountable for an entire project, and allows the application of industry best practices in the outsourcing process.   On the other hand, working from project-to-project is *a piecemeal approach to outsourcing*. A more consolidated view of the outsourcing initiative is required, within a unified governance framework. This is provided by the multi-year managed services model.

Managed services model - This model fosters the development of <u>long-term</u>, <u>multi-year, SLA-based relationships</u> to provide integrated solutions across the enterprise. The service provider takes responsibility and accountability for agreed- upon strategic business outcomes. Projects typically have a <u>large scope</u> and scale and the knowledge gained by the vendor is invested back into the system so that the client's benefits increase year on year. These partnerships allow the sharing of risks and rewards, encourage innovation, embrace business change and contribute significantly to the strategic goals of both partners. As a framework for delivery of outcome related services, the Managed Services Model works best with a specification with a defined scope, budget and duration. The supplier accepts risk and takes control of the execution of the project. With result-based pricing, the supplier manages the delivery model, including governance, processes and tools.

The Managed Services Model draws on detailed planning. The client must define the requirement for the practical outcomes, applicable service levels and key performance indicators in an operational context. Pricing is directly related to this array of outcomes, and a key focus will be the delivery of benefits and outcomes the client wants to achieve.

As the supplier assumes the delivery risk, it is highly motivated to establish productivity control measures to ensure achievement of outcome and service commitments. This manifests itself in the implementation of project governance, methodology, tools and processes.

This model allows an organisation to outsource the management, operations and delivery of processes to lower the total cost of the business. It is sometimes attractive to organisations as the pricing structure is based on regular monthly

billing with guaranteed service levels, quality and throughput. This greatly reduces volatility in costs, and supports accurate and predictable budgeting.

Basic steps of the managed services model

IT Service is not just the delivery

Opportunity Mgmt (Pre-Engagement)	Solution Design & Proposal Development	Close Sale	Transition & Transformation	Steady State Operations
	What services do we sell? What are typical client wants and needs? How is the solution designed? What are the cost drivers? What is the transition & transformation plan?		Who delivers the services? From where will they be delivered? How do we build and use the solution? What processes and service flows do we follow?	How do we fulfill our contracted services? How do we add or improve existing services?

A key question new standards authors and owners often ask is "who will be using my content?"

When we think about an e2e standard solution, we realize there are several different aspects and components, where each is important to particular roles performing specific functions. For that reason, GSAR users span a variety of roles and its content applies to the entire scope of the account lifecycle, from sales & engagement, to transition & transformation to steady state, both for new and incremental business.

Let's look at a broad view of the ITD account life cycle to see how GSAR fits into this picture. The life cycle begins as sales teams present clients with high-level information of what IBM has to offer. During this phase, the intellectual capital in GSAR helps answer questions such as:

"What services do we sell?" and "What are typical client wants and needs?"

Later during engagements, Technical Solution Managers (TSMs) and Architects (TSAs) develop solution designs and proposals describing the service(s) we can deliver, how we deliver them, and at what costs. The standards in GSAR provide a foundation for them to work from, and answer questions such as:
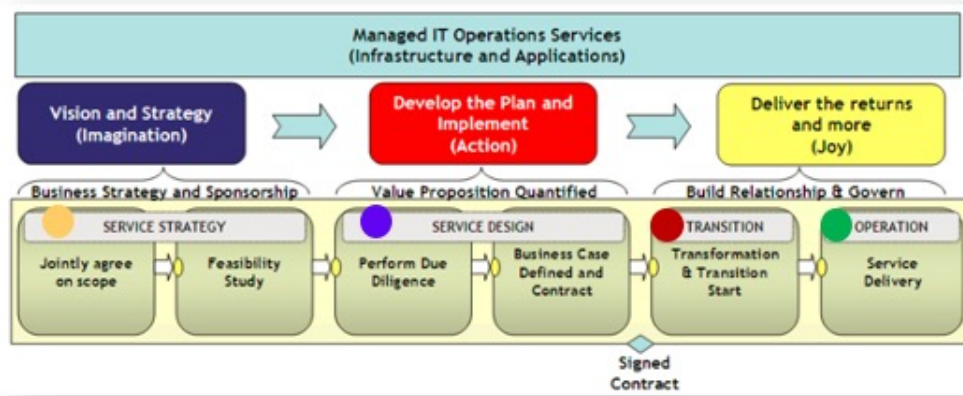
"How is the solution designed?" and "What are the cost drivers?"

Once clients have signed the contract with IBM, ITD Competency leaders, architects, Delivery Project Executives (DPEs), and Subject Matter Experts (SMEs) work to transition IBM into assuming the IT responsibilities for the client. Finally, delivery and account teams take over operational responsibilities during the "steady state" period. GSAR content is used during both of these phases as well.

Quick reminder
-
Service Lifecycle

STRATEGY

OPERATION   IMPROVEMENT   DESIGN

TRANSITION

IBM
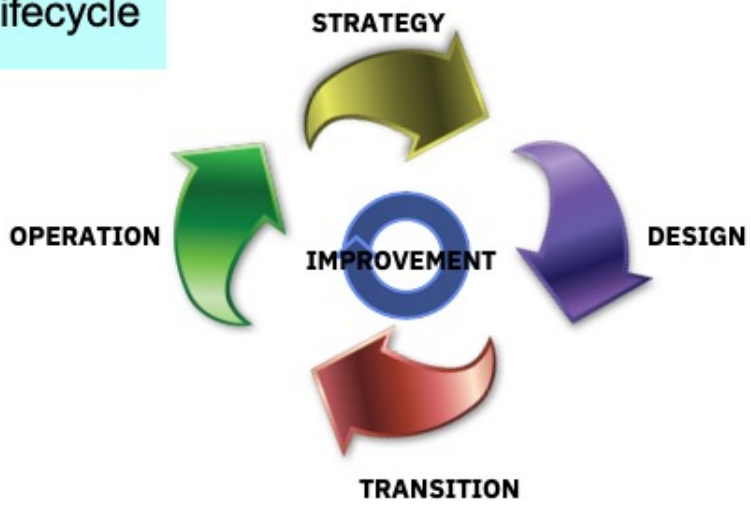
Managed IT Operations Services

© 2018 IBM Corporation   21 February 2023   IBM Services

IBM

Why managed services model?

1. Access to skills
2. Service Levels Agreements
3. Budgeting
4. Access to infrastructure
5. Proactive Support as Standard
6. IT Security

The idea behind the Managed Services Model is to transfer the burden of maintaining IT from the customer to a service provider.

IBM

Comparing Managed Services Model to Staff Augmentation

Managed Services	Staff Augmentation
Supplier assumes control of all or part of the execution component of IT.	Supplier commits to providing resources of defined capability at a price.
Service Delivery commitments expressed as "Service Levels" 🙂	No service delivery commitments
Committed Scope and Term which ensures accountability 🙂	Limited commitment
Costs can be tied to quantifiable results 🙂	Pricing tied to hours worked and availability
Supplier Managed Delivery Model, processes and tools	Customer manages the delivery model (including individual subcontractors); process and tools
Knowledge must be transferrable according to a contractual commitment	Knowledge vested in the individual
Supplier manages the risks of meeting project deadlines, transition and operations	All delivery risk remains with Business

Comparing the Models

Managed Services Model (Outsourcing)	Staff Augmentation (Out-tasking)

• Supplier assumes control of all or part of the execution component of IT
  • Service delivery commitments expressed as "service levels"
• Committed scope and term
• Pricing tied to service levels and volumes where appropriate
• Supplier managed delivery model; processes and tools
• Impacted employees; assets and contracts may be transitioned to supplier (supplier needs to acquire or have the capability to deliver)
• Knowledge must be documented and transferrable
• Supplier assumes the risk of transition and operations
	• Supplier commits to providing resources of defined capability at a price
	  • No Service delivery commitments relative to outputs
	• Limited commitment
	• Pricing tied to hours worked and availability
	• Customer manages the delivery model (including individual subcontractors); process and tools
	• No change to customer operating model
	• Knowledge vested in the individual
	• All delivery risk remains with client

Commitment to deliver an outcome	*Commitment to provide an input*

The essential difference between the two models is that under a managed services model

(outsourcing), the provider is committed to delivering an "outcome" at a defined price versus

an "input" as under the staff augmentation model. An input is simply the performance of an

activity with no commitment that the activity will res

ult in the desired outcome. The managed

service model drives a measure of value based on planning, as the organization must define

the

requirement on a service and performance criteria basis.

Pricing is tied to the outcome. Should the service requirement

diminish or disappear, the

associated costs react in kind. This provides the "scalability to demand" often sought in a

staff augmentation model, but scalability that is tied to service.

Linked to managed services is a service commitment. Under the staff

augmentation model,

the only service commitment is hours of work. Under the managed services (outsourcing)

model, the provider assumes all of the risk of meeting the service commitment.

The value creation is huge. As the provider assumes the delivery risk at a fixed cost, the

provider is highly incentivized to establish productivity measures required to meet the service

commitment. This manifests itself in the implementation of tools and processes, as well as

extensive documentation, as the provider cannot afford to risk not meeting the service

commitment by relying on individuals.

Documentation and process rigor also allow the service provider to move work through a

global delivery structure with ease. Through the application of documentation, tools and

processes, the service provider is able to deliver services reliably with fewer, more productive

resources. The managed services (outsourcing) model therefore is structured to deliver a

commercially viable, low cost service offering to the organization.

From the standpoint of what an organization really wants from IT, the managed services

(outsourcing) model delivers the following advantages: a predictable low price/cost

service/outcome;

scalability based on business demand; fewer delivery risks; and operational

performance metrics tied to process excellence, documentation and outcomes.

Managed services organizations are generally large and serve multiple clients from multiple

locations. A

s opposed to smaller staff augmentation organizations (or individual contractors),

managed services organizations have the capability of delivering a wealth of skills and

capabilities. Client organizations have access to a broad base of skills, solutions
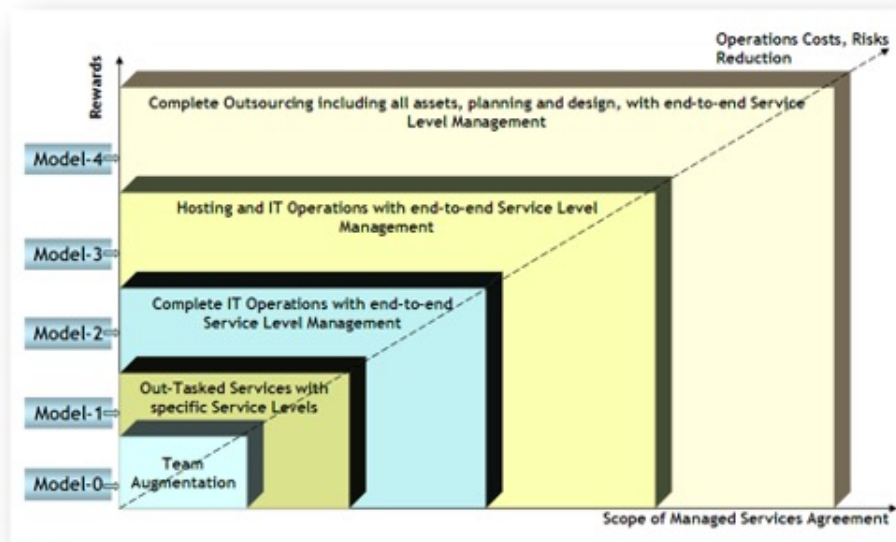
a

nd

knowledge to meet evolving requirements.

A managed services (outsourcing) model delivers all of the skills access and flexibility of a

staff augmentation model. Because the model relies heavily on management and process
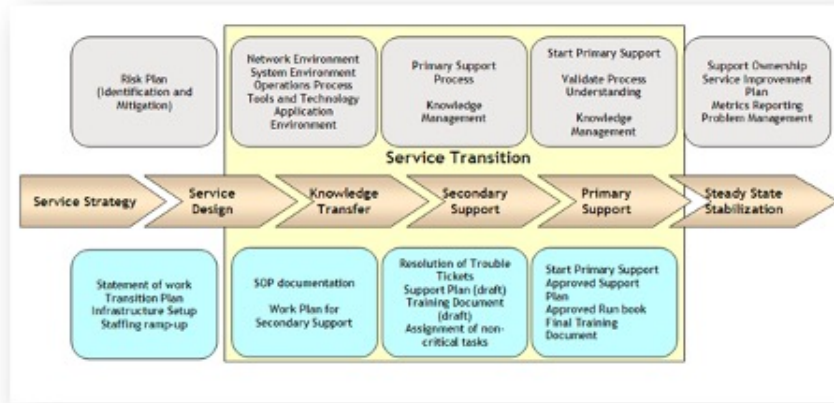
rigor, clients generally exper
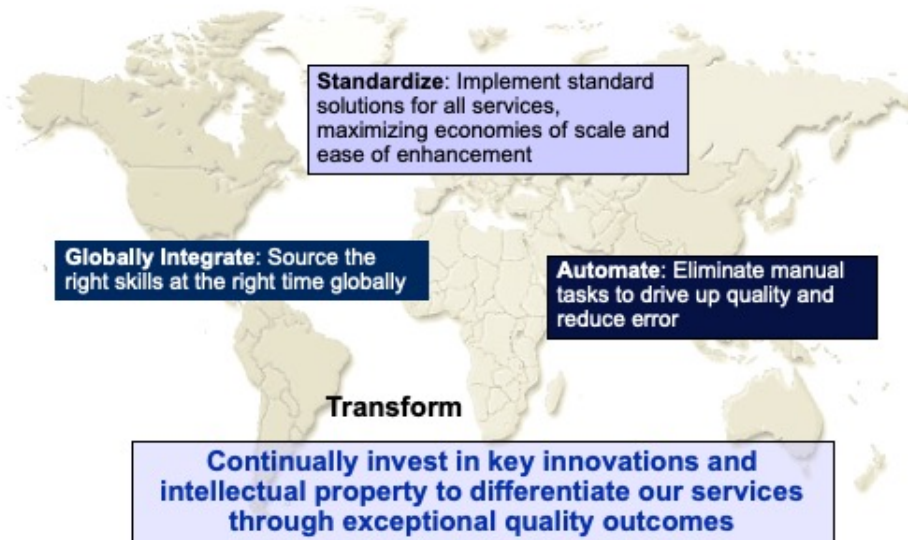
ience an elevated capability themselves.

Managed Services Models

Service Transition

IBM

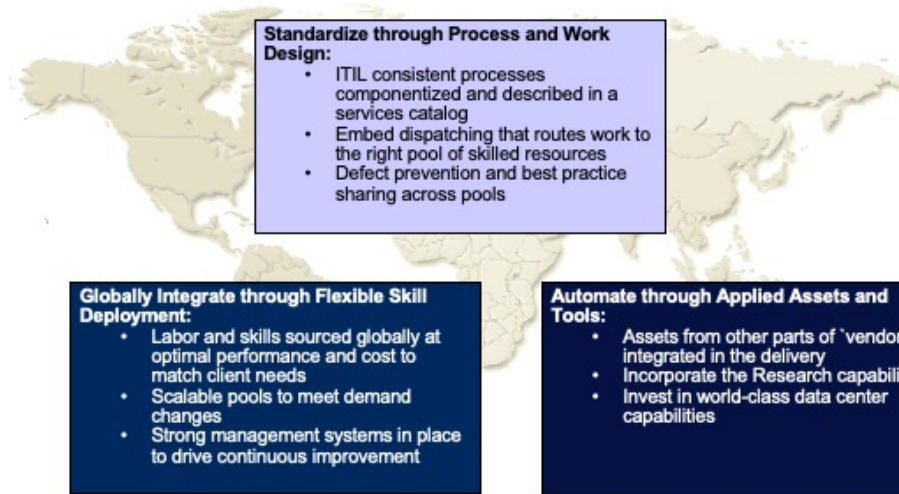•We utilize three key levers to drive quality and productivity…

   •The first, standardization, is all about industrializing service delivery. We have embarked on the quality journey long time ago and have made significant progress with our quality methods, focusing on process simplification and eliminating non-value add steps. We have broadened our continuous quality roll-out across all geographic locations ...

   •The second lever is Automation. Here we leverage IBM hardware, software and Research assets extensively. A great example is our deployment of Maximo to implement standard best practice workflows ... leveraging this tool from SWG allows us to pool delivery resources and drive skill depth for quality and productivity gains…

   •Lastly, skills are critical in a delivery business ...and as over 50% of our delivery costs are labor, leveraging the right talent globally, at the best cost, is vital. Equally as vital is continually looking at the skills we have, where we may have gaps and the training/certifications that are needed to fill those gaps ... I'll also cover this in a little more detail...

•So, let's look at some specifics on how we execute on these three levers…

To differentiate on the basis of HOW to deliver services and apply IT assets, data, and insights to client's challenges

Standardize through Process and Work Design:
- ITIL consistent processes componentized and described in a services catalog
- Embed dispatching that routes work to the right pool of skilled resources
- Defect prevention and best practice sharing across pools

Globally Integrate through Flexible Skill Deployment:
- Labor and skills sourced globally at optimal performance and cost to match client needs
- Scalable pools to meet demand changes
- Strong management systems in place to drive continuous improvement

Automate through Applied Assets and Tools:
- Assets from other parts of `vendor integrated in the delivery
- Incorporate the Research capabilities
- Invest in world-class data center capabilities

IBM

We will differentiate by applying assets through automation, our work practices and processes that we reflect our point of view on the optimal way to deliver specific services and through sourcing the right skills you need globally. We will discuss most

of these bullets in the next pages specifically.

To have the broadest and deepest talent in the business working together to fulfill IT services client delivery commitments (Kyndryl Services example)
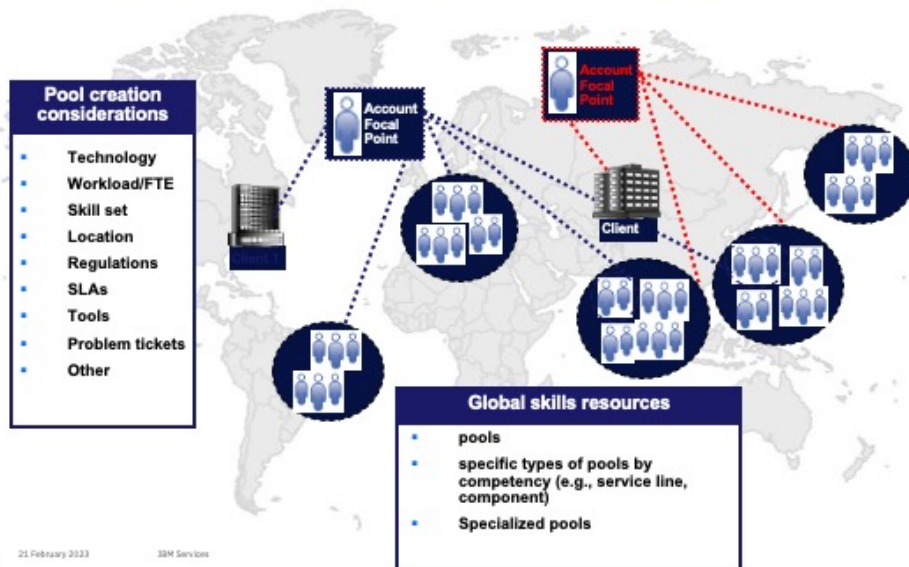

Onsite	Local	Regional	Global
• Service that requires a physical presence at the client location • Consulting • Front-end analysis	• Service that needs to be delivered from the same country • Processing of sensitive data • Legal restrictions	• Service that needs to be delivered from the same continent • Similar time zone • Similar culture	• Service that can be standardized to achieve maximum savings • Ongoing operations • Monitoring • Development

All follow uniform, best-practice service management processes

IBM

To be able to dynamically create work groups/pools across the globe to best meet clients' business needs (Kyndryl Services example)

Pool creation considerations

- Technology
- Workload/FTE
- Skill set
- Location
- Regulations
- SLAs
- Tools
- Problem tickets
- Other

Account Focal Point

Account Focal Point

Client

Global skills resources

- pools
- specific types of pools by competency (e.g., service line, component)
- Specialized pools

© 2018 IBM Corporation   21 February 2023   IBM Services

IBM

The standardization - relationships

Accounts and delivery providers benefit most from an IT transformation based on shared, reusable assets. The message here is how important the standardization strategy is in the outsourcing relationships.
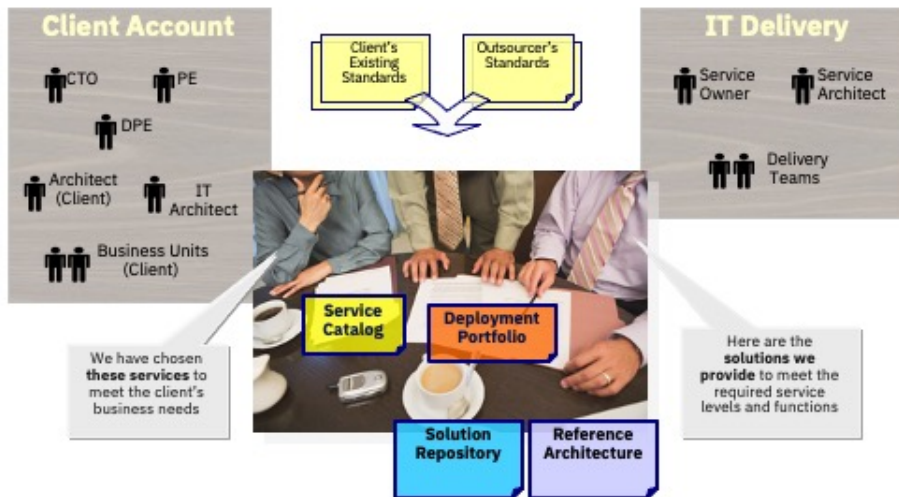
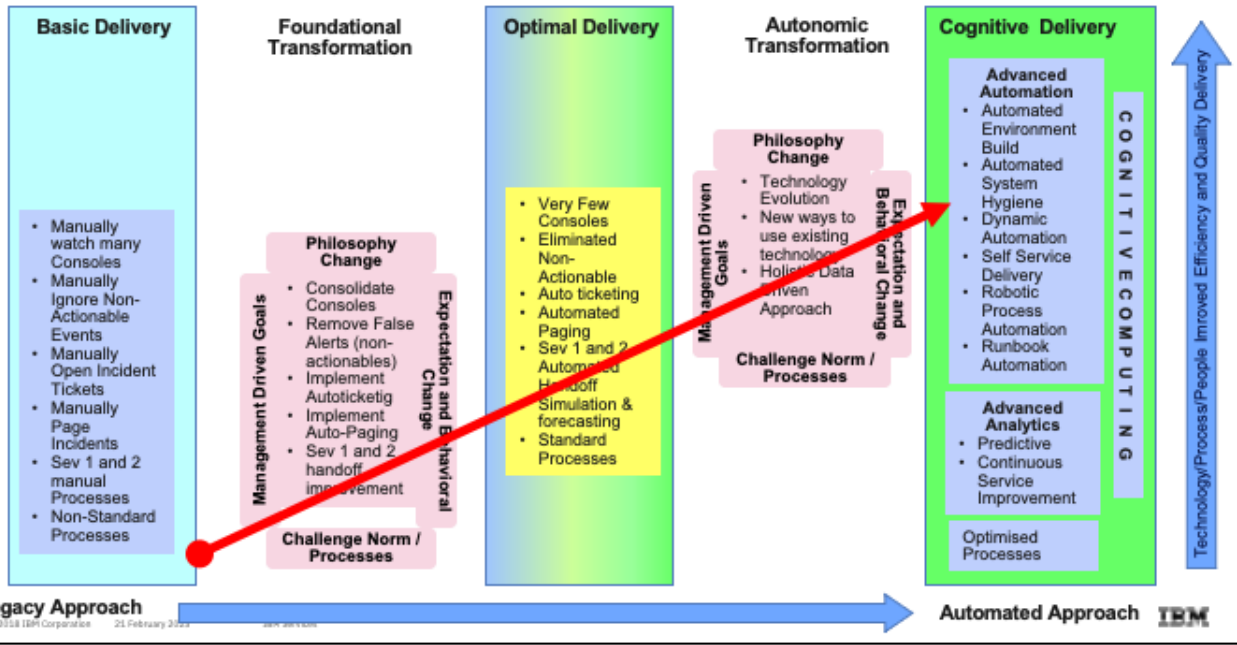Clear and specific roles, processes and proven solutions are essential to the success of these relationships.

On this slide, you see the client account and vendor account team roles on the left, our Delivery organization on the right -- including the Service Owner roles -- and the two parties coming together in the middle.

The message here is how important our standardization strategy is, in our outsourcing relationships. With this strategy, vendor is able to clearly articulate our company's IT standards, particularly, what standard services we offer and how they are delivered. Clients have IT standards of their own: such as existing applications, roles and processes. For an effective vendor integration into the client's existing environment, it's essential to have clear communication and knowledge sharing.

Therefore, the Account Team and the Service Provider (Delivery) need to be working from the same, shared information. Four (4) key assets are typically used to facilitate our collaboration are: a Service Catalog, a Solution Repository, a Deployment Portfolio, and a Reference Architecture.
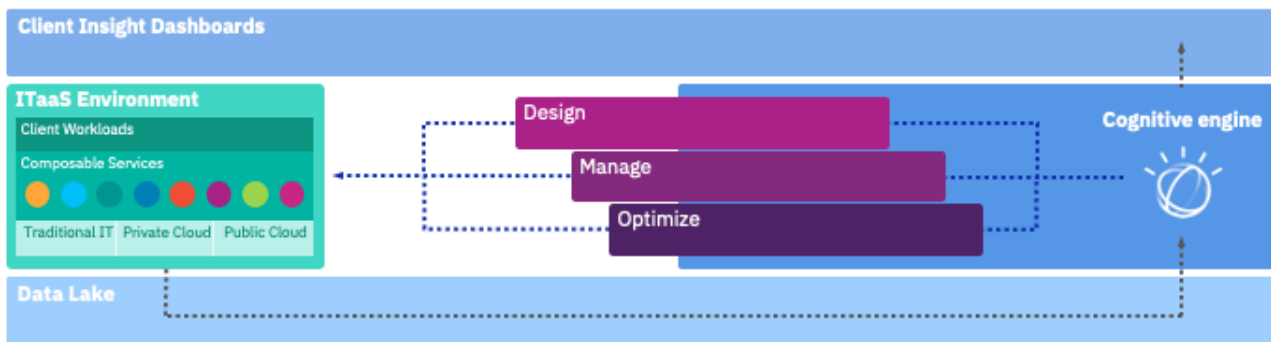
20

The evolution of IT Support to Automation of the Service

Basic Delivery	Foundational Transformation	Optimal Delivery	Autonomic Transformation	Cognitive Delivery

Basic Delivery

- Manually watch many Consoles
- Manually Ignore Non-Actionable Events
- Manually Open Incident Tickets
- Manually Page Incidents
- Sev 1 and 2 manual Processes
- Non-Standard Processes

Foundational Transformation

Management Driven Goals

Philosophy Change
- Consolidate Consoles
- Remove False Alerts (non-actionables)
- Implement Autoticketig
- Implement Auto-Paging
- Sev 1 and 2 handoff improvement

Expectation and Behavioral Change

Challenge Norm / Processes

Optimal Delivery

- Very Few Consoles
- Eliminated Non-Actionable
- Auto ticketing
- Automated Paging
- Sev 1 and 2 Automated Handoff Simulation & forecasting
- Standard Processes

Autonomic Transformation

Management Driven Goals

Philosophy Change
- Technology Evolution
- New ways to use existing technology
- Holistic Data Driven Approach

Expectation and Behavioral Change

Challenge Norm / Processes

Cognitive Delivery

Advanced Automation
- Automated Environment Build
- Automated System Hygiene
- Dynamic Automation
- Self Service Delivery
- Robotic Process Automation
- Runbook Automation

Advanced Analytics
- Predictive
- Continuous Service Improvement

Optimised Processes

COGNITIVE COMPUTING

Technology/Process/People Imroved Efficiency and Quality Delivery

Legacy Approach → **Automated Approach**

IBM

Dynamic automation Context

© 2018 IBM Corporation   21 February 2023   IBM Services

IBM

Automation & Analytics → Cognitive Solution

Insource vs Outsource

Like asking which one is good....
Apple or Orange?

Each has its own advantages and disadvantages

What's the difference between outsourcing and insourcing?

Insourcing is a business practice performed within an organization's operational infrastructure.

Outsourcing, on the other hand, enlists the help of outside organizations not affiliated with the company to complete specific tasks.

IBM

The primary variation between outsourcing and insourcing is the method in which work is divided between various companies or departments for strategic purposes. Assigning a project to a person or department within the company instead of hiring an outside person or company to do the work is considered insourcing. Outsourcing is usually done as a cost-cutting measure. It can affect jobs ranging from customer support to manufacturing, as well as technology and the back office.

1. Cost

The cost associated with insourcing is different from the cost associated with outsourcing. Insourcing is typically more expensive for an organization as a result of implementing new processes to start a different division of the organization. Outsourcing uses the developed workforce of an outside organization to perform tasks.

2. Resources

Resources are another major difference between these two business practices. Outsourcing uses the resources of an outside organization for services and manufacturing products. Companies can use outsourcing to better focus on core aspects of the business. Outsourcing non-core activities can improve efficiency

and productivity. Insourcing utilizes developed resources within the organization to perform tasks or to achieve a goal.

For example, an organization may insource technical support for a new product as a result of already having technical support set up for another product within the organization.

3. Control

The organization's control over operations and decision making differs while using outsourcing and insourcing. Organizations that use outsourcing for a particular service or manufacturing process have minimal managerial control over the methods of an outside organization.

For instance, an organization that is renowned for friendly customer service does not have the ability to enforce or manage how an outside support center interacts with customers.

4. Location

Location is another difference between outsourcing and insourcing. Insourcing generally places new operations and processes on-site within the organization, while outsourcing involves an outside organization often away from the primary organization's operations.

When should you outsource? One of the most complicated decisions in business

Outsourcing – definition (one of many)

The outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel.

IBM
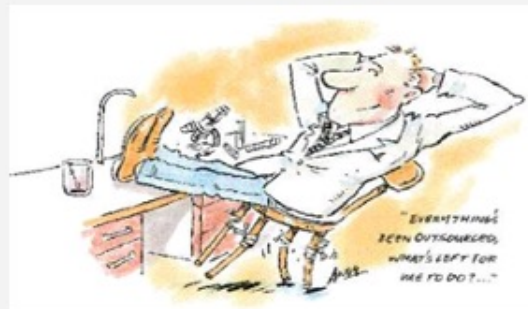
Reason for outsourcing

- Cost saving
- Focus on Core Business
- Access to Skills
- Access to Technology
- Flexibility
- Accountability

Top Reasons for Outsourcing

Foster Innovation 4%
Conserve Capital 1%
Increase Speed to Market 10%
Reduce Costs 36%
Improve Quality 13%
Focus on Core 36%

Source: The 2001 Outsourcing World Summit

IBM

IT Outsourcing

The concept "outsourcing" came from American Glossary 'outside resourcing' and it dates back to at least 1981.

The term itself is an artificial construction composed of the words "outside", "resource" and "using"

IT/IS Outsourcing is the ITC operations, management and development delegation

IBM
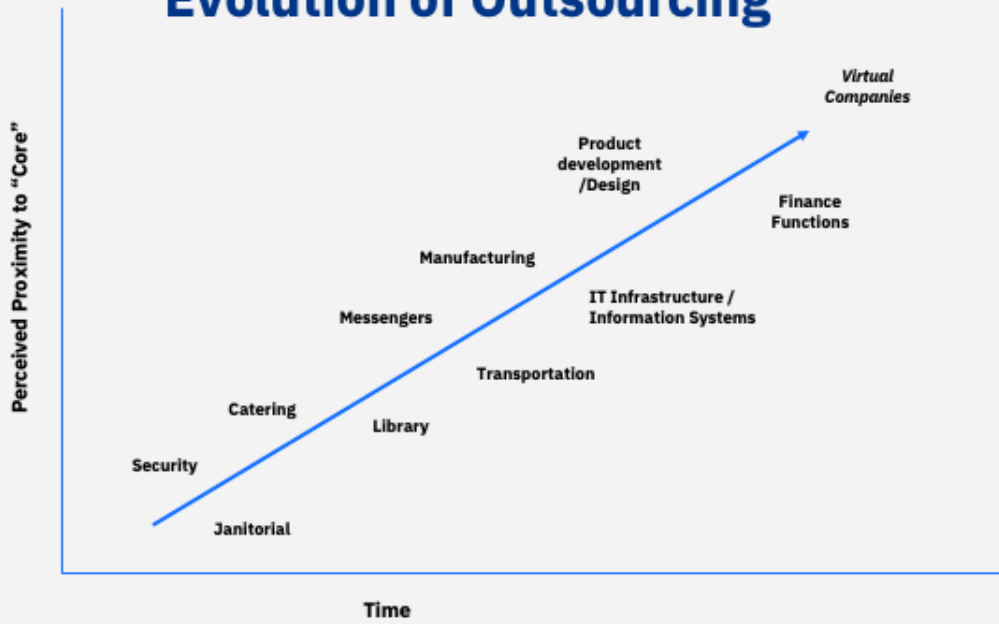
Timeline of the IT Outsourcing trend

Year	Outsourcing Focus	Outsourcing Approach
1960s	Hardware	Services and Facility Management
1970s	Software	Facility or Operation Management
1980s	Hardware and Software Standardization	Customization Management
1990s	Total Solution	Asset Management

60s	70s	80s	90s
Hardware	Software	Standardization	Total Solution

IBM

IT outsourcing is not a new phenomenon; it originated from the professional services and facility management services in the financial and operation support areas during the 1960s and 1970s. In the 1960s, the use of external vendors was confined to

time-sharing or processing services. Since computers were large and expensive, most companies relied on service bureaus, systems houses, and other professional firms to provide facilities management services. The 1970s marked the beginning of the standard application package concept. To overcome the increasing demand for IT applications and the inadequate supply of IT personnel, managers began to rely on contract programming, which became the predominant form of outsourcing

during the 1970s. Then came the rapid decline of some processing services from the end of the 1970s, which can be seen in historical perspective as an early manifestation of technological downsizing. The arrival of low-cost minicomputers and then PCs

also hit the processing services business at the beginning of the 1980s. By the time the focus shifted to IT-supported vertical integration in the 1980s, the outsourcing trend of the 1970s had lost steam. Controlling the product-development cycle from raw

materials through product delivery grew in importance, and IT was now considered a valued in-house function. Organizations generally operated their

information systems environment on a custom basis, buying standard equipment, system

and application software, and communications, and assembling them into an infrastructure unique to each organization. Interest in outsourcing resurfaced in the early 1990s, not for contract programming and specific processing services, but for network and telecommunication management, distributed systems integration, application development, and systems operations. While the data processing service bureaus of the 1960s provided service from an offsite location, the outsourcing vendors of the

1990s aggressively targeted onsite facilities management. IT personnel were shifted from the customer to the vendor, with some vendors purchasing customers' mainframe hardware and managing client services onsite. System integration

was another popular outsourcing segment in the 1990s and involved highly complex technology, including network management and telecommunications, along with associated education and training.

IT outsourcing – another eras split

➢ **0 – 1982 The proprietary solutions era**

➢ **1982 – 1999 The standard solutions era**

➢ **1999 – The outsourcing solutions era**

IBM

What shall we talk about next?

IT Services Frameworks (ITIL, COBIT, ISO 20000, 6sigma, eTOM, ..)

Questions?

See you in one week