

Transcript of BriefingsDirect Podcast on ITIL v3 and IT Service Management

Edited transcript of BriefingsDirect[™] podcast with Dana Gardner, recorded Jan. 22, 2007. Podcast sponsor: Hewlett-Packard.

Listen to the podcast here.

Dana Gardner: Hi, this Dana Gardner, principal analyst at Interarbor Solutions and you're listening to BriefingsDirect. Today, a sponsored podcast discussion about Information Technology Service Management (ITSM) and a related area, the evolving Information Technology Infrastructure Library (ITIL). These are complementary trends that are helping to mature IT as a customer-focused quality-of-service activity.

We're not so much focused on how technology is deployed and actually used, on a product-by-product basis, but really how IT is delivered to an enterprise for its internal consumers of IT. ITSM and ITIL are following longer term trends that we've seen in manufacturing, such as Six Sigma and the quality initiatives that we saw in the post World War II period. So, this is really an indication of how IT is maturing and how to take it to a further, higher plane of a customer focus and quality of service.

Joining us to look into these subjects and learn more about them as they're now maturing and coming into some milestones -- particularly ITIL with the next version arriving in the spring of 2007 -- are executives from Hewlett-Packard's Services Consulting and Integration group. Joining us is Klaus Schmelzeisen, director of the global ITSM and security practices at HP's Services Consulting and Integration group. Klaus is managing the solution portfolio that helps customers manage their applications and infrastructure environment. Welcome to the show, Klaus.

Klaus Schmelzeisen: Hello, everyone.

Gardner: Also joining us is Jeroen Bronkhorst, ITSM program manager within the Services Consulting and Integration group at HP and also an active participant in the ITIL version 3 editorial core team, as well as an author of the integrated ITIL process maps. At HP, he is a consulting coordinator and is helping to develop the core deliverables, as well as an ITSM reference model. Welcome to the show, Jeroen.

Jeroen Bronkhorst: Thank you, Dana. Hello, everyone.

Gardner: As I mentioned, this is part of a longer-term trend. ITIL has been around for quite some time, and ITSM services for management is a bit newer. Perhaps you could help us understand the history. How did the demand for these services come about, and what are some of the current drivers that are bringing this into the fore for an increasing number of enterprises?

Schmelzeisen: Let me take this one on. I've been observing the area of ITSM since the early '90s, and, interestingly enough, it really started with the infrastructure piece. At that point in time, corporations were introducing lots of new technologies, especially in the networking environment. This was a change from the X.25 networks into TCP/IP environments, but it was also a time when a lot of the mainframe environments were superseded and replaced by open-system environments.

Client-server infrastructures came into place. So, there was a big need for infrastructure monitoring that, once this was in place, were followed by IT services, which brought a completely different spin. That was to deliver the output of an IT organization as a service to the business. That's where ITSM started big time, and that was a couple of years later.

So, really, around the mid-'90s and since then, standards and best practices have evolved. HP has had its reference model since 1996 as a trademarked approach. Even before that, there were pre-versions of it. So, ITSM came along really in the early to mid '90s, and ITIL started around the same time.

Gardner: Do you think this is just a response to complexity? Is that what the underlying thrust was for this? Were there just more types of systems to deal with, and therefore they needed more structure, more of a best practices approach?

Schmelzeisen: Definitely. The complexity drove a lot of new and different technologies, but there were also more people in IT organizations. With more people, complexity went up, and then quickly the realization came that processes are really a key part of it. That brings you right to the heart of ITSM and then ITIL.

Gardner: So, it's really about the complexity of the IT department itself, not necessary the technology?

Schmelzeisen: Definitely.

Gardner: Is there anything in particular about what's going on now that makes

this more relevant? Do you think the expectations for what IT provides are growing? Or is it the fact that IT is becoming much more strategic, the companies need to succeed at IT for the entire company to succeed?

Schmelzeisen: It's actually multifold. On one side, the old challenges are still here. We see new technologies. We see the need for new services coming up. But there are also a lot of drivers that are putting pressure on the IT department. One is the ongoing topic of cost reduction. The competitiveness of an IT department is related to the efficiency and the quality of processes in place.

There is also the big theme of regulatory compliance. That is permanently on the CIO agenda and that of all C-level management. To achieve this you need to have all the processes very well under control. There is also the ongoing demand to provide more value to the business, to be more agile in your responses, how quickly can you can implement new environments and respond to the needs of the business. Those are really the challenges of today.

Bronkhorst: May I add to that as well, Dana?

Gardner: Please, yes.

Bronkhorst: What I also see is that there are organizations that have an increasing need to demonstrate the level of quality that they are providing to their customers. We now have an industry standard called ISO/IEC 2000 for IT Service Management. There is an opportunity here to become certified, which might be useful in the case, for example, an IT organization wants to go to the outside world and provide services in the open market or as a protection mechanism for the internal IT organization to prevent themselves from become outsourced. This is another driver for organizations to show the value and the quality they provide.

Gardner: So, demonstrating their role and their certification helps to establish them internally against a competing approach, but also gives them more credibility if they want to take these services to an extended enterprise approach.

Bronkhorst: Yes, that's correct.

Gardner: Now, could you help us understand ITIL, this library of best practices? We've got a new refresh coming up with Version 3 this coming spring. What is the impact of ITIL and how does it relate to ITSM?

Bronkhorst: Let me speak to that a little bit. ITIL originated in the '80s actually. It was created by the British Government, which still owns ITIL. It's a set of books that describes best practice guidance in the area of, "How do I organize the operational processes that help me manage my infrastructure and help me manage my IT services?"

When it was created in the '80s, it initially consisted of more than 30 books. They were condensed in the '90s down to eight books, and that's basically the set that exists today. However, as we've seen the technology and the needs evolve, the British Government is driving a project to further condense ITIL down to five books. This will better link it to the needs of businesses today, which will then help customers to get themselves organized around the lifecycle of IT services, being able to create new services, define them, build them, test them, bring them into production, and take them out of production again once they're no longer needed.

If I look at the traditional impact of ITIL, I would say that it is typically targeted at the operations department within an IT organization, the area where all the infrastructure and applications are maintained, and where, as a user, you would interact most on a daily basis.

What's happening with the new ITIL is that the scope of these best practices will be significantly improved, and ITIL Version 3 will be more focused on how you organize an IT organization as a whole. In other words, taking an integral view of how to manage an IT service that consists of applications, infrastructure components, hardware, etc. This means it will be a much bigger scope of best practices compared to what is it today.

Gardner: You mentioned that this began in a government orientation. Is this being embraced by governments, or by certain geographies or regions? Globally, is ITIL something that a certain vertical industry is more likely to adapt? I guess I'm looking for where is this in place and where does it make the most sense?

Bronkhorst: ITIL is not particularly focused on a specific industry segment. ITIL is generic in the sense that it provides best practices to any type of IT organization. It's also not restricted geographically, although the British Government created it initially. Over the past few years, we could almost say it has conquered the world. This is evidenced by the fact that there are local IT service management forum organizations, which some people call ITIL users groups, but it's a little bit more than that.

These IT groups focus on best practices in the area of IT service management of which ITIL is a component. And so, across the globe, many of these user groups have started. Actually, HP was a founding member of many of those user groups, because it is important for people who use these best practices to share their experiences and bring it to a higher level.

Gardner: This new version, Version 3, is this a major change? Is this a modest change? I guess I'm looking for the impact. Is this a point release or a major SKU? How different will Version 3 be from some of the past approaches for these best practices?

Bronkhorst: I would classify ITIL Version 3 as a major release. I say that not because it is changing things from ITIL as it exists today. One of the basic underlying designs is that it builds on the principles that exist in ITIL today. The reason I'm saying it's a major release, is because it's adding so much more to the scope of what ITIL covers, plus it completely restructures the way in which the information is organized.

What do I mean by that? In the past when you looked at the ITIL books, they were focused on topics that made sense to the people who work within the IT organization. Application Management, Infrastructure Management, Software Asset Management are all topics that make sense from an IT internal view. But, few people who look at IT from the outside care about how you do it, as long as they get the service that they have agreed on with you.

The new ITIL will be organized around five phases of the service lifecycle, starting with strategy. How do you handle strategies around services, followed by how do you design a service, and how do you then transition that service into operations? Service operation is the fourth phase, and then the last phase is all about how to continuously or continually improve service delivery? That will be a major change, especially for people who are familiar with the current ITIL in the way in which it is structured.

Gardner: Now, this isn't happening in a vacuum. There are many other large trends taking place and affecting IT and businesses, and these are very dependent on IT. I'm thinking of application modernization, services-oriented architecture, consolidation and unification, adoption of new approaches with an emphasis on agile or rapid development. Does ITIL help reduce the risk of embracing some of these new trends? How should companies view this in terms of some of the other activities that they are involved with in their IT department?

Bronkhorst: ITIL basically helps you to set the context for these trends in an IT organization. In other words, if you organize yourself according to ITIL best practices, you have a solid foundation for being able to more quickly adopt new trends in the marketplace or new, evolving technologies, as you are organizing yourself to be much more agile than you have been before.

Gardner: Are there hard numbers to apply here. Perhaps, Klaus, you have some indication? When companies look at this, it seems like it makes great sense. It's progressive. It's maturing -- something that is fairly recent and fast-moving in organizations. But, are there hard business metrics, ROI, reduced total cost of IT, or higher productivity? When it comes time to sell this, to convince the business to invest in such things as ITSM, and they say, "Well, what's the pay-back," what has been the experience?

Schmelzeisen: We definitely have a lot of numbers. The usual metrics are cost reduction. For example, one of our big customers, DHL, reports 20 percent cost reduction since it implemented their IT processes. We have other cases where they are looking at a total return on investment that includes efficiency gains, as well as staff reduction, improved quality. That showed a breakeven for one of our clients, Queensland Transport, the government agency in Australia, in the second year, and an ROI of 400 percent in five years.

There are other measurements, like decreased amount of rework, decreased response time, how many calls you can solve on the first call. All these measurements are coming together. Lucent, for example, is showing very good returns in terms of quality improvements, as well as things that are much less tangible, like facilitated consolidation of all systems and their subsequent decommissioning.

So, there are very tangible measurements, like cost reduction, the number of call resolutions, and things like that -- quality improvements. And, there are less tangible ones, like how quickly you can get rid of older environments, how quickly you can consolidate, etc.

Gardner: So, for Lucent, the work you mentioned was with Alcatel-Lucent in the United States. What about the impact on users? Have there been surveys? You mention some of the software paybacks around reduced the time for resolution and better call center performance. Has anyone that you're aware of done user focus surveys after ITSM approaches have been adopted. Have they gauged the satisfaction of the people who are the ones actually using IT?

Schmelzeisen: Basically, the response to the quality of service provided by the IT department?

Gardner: That's right -- the perception and the sense of confidence in IT.

Schmelzeisen: I don't have a precise number at hand right now, but you can easily deduce it. If you call a help desk and you get put on hold, or you have to call again and your call is continuously routed to another person, and eventually you get an answer in a couple of days, how is your satisfaction rate based on that? It's probably going to be very low.

However, if you call, and the person at the other end has all the information available about your case, he knows what type of system you have, he knows how it's configured, he knows what changes have been done within the last couple of weeks or months, and he knows what environment you're working in -- and he can help you right away -- I think it does great things for customer satisfaction.

Gardner: Sure, if customers can call in and get resolution and a sense of confidence, they're less likely to go off and start doing IT things on their own, on the department and lower-division level, which then requires that to be brought into a more centralized approach. Then, you lose any of the efficiencies of central procurement, managing licenses, and reducing redundancies.

It seems as if taking this life-cycle approach has a great opportunity to improve on efficiency from a procurement, licensing, and cost basis.

Schmelzeisen: Absolutely.

Bronkhorst: May I add one more thing, Dana? I think what we also see is that it's not only important to measure, monitor, and manage customer satisfaction. It's also key for a lot of IT organizations to manage and monitor employee satisfaction. This is something that we also do as an integral part of the way that we handle projects where we implement ITSM processes and technologies with our customer.

Gardner: As far as United States market goes -- the one that I am most similar with -- it has been a long-term trend that it's difficult to get qualified IT people and hold them. They often jump from company to company. I suppose that's part of the dissatisfaction, but places enterprises in a fire-fighting mode much of the time, rather than in a more coordinated and straightforward productivity approach.

Bronkhorst: It's also key that if you implement an ITSM solution or an ITSM environment, then what you do is structure the activities within an IT organization. Those activities are performed by a piece of technology, in other words automated, or performed by people. The challenge with many of these implementations is how to configure people in a way that they execute the processes the way they were designed. Technology, you can control, but people, sometimes you can't, and you need to do something extra in order to make that work.

Schmelzeisen: I think that's an interesting term that's been introduced, "configuration of people," which means training and education. As a proof point to that, in all of the big projects -- Lucent, DHL, and Queensland Transport -- we had actually trained and retrained a significant number of people. With DHL, we trained about 4,000 IT professionals from a number of companies. With Lucent, it was training for about 1,000 employees. So, it's a significant number of people need to be "reconfigured," as you called it.

Gardner: In another economic efficiency area, companies and enterprises have been looking to outsource or offshore. They're, looking to have better choices and more options in terms of how they acquire IT. If they have the certification process, as is being described here, in place, they can go and say, "Well, are your people certified? Are they trained? I am not going to outsource to anyone that isn't."

It seems like this could make for more professionalism and less guessing, or risk, when it comes to outsourcing. Is that a trend you are seeing as well?

Schmelzeisen: Absolutely. It is important for organizations that want to show that they can achieve a certain level of quality to consider certification. What we did in our approach was to make sure that we use methodologies that have proven themselves in reality for customers to become certified in ITSM.

Gardner: All right. Let's look to the future a little bit. It seems that there is a life-cycle approach to ITSM itself, and its successes can build upon one another toward a whole greater than the sum of the parts. But on the other hand, with this commoditization, if all companies are certified and all IT departments are operating in the same fashion, some companies that have depended on IT for a competitive edge might lose that. Is there any risk of reducing IT to a commodity set of services that prevents companies from somehow differentiating themselves?

Schmelzeisen: In some respects that's a valid question, because a lot of IT services will be commoditized over time. On the other side, there is an ongoing wave of new things coming in, and there will always be leaders and followers. So, we will see more and different services being deployed. In the future, you won't be able to differentiate just through an email service, to give you one example of an IT service.

However, it's different when it comes to other things: the way you manage your environment, integrate things like SOA or deploy SOA in your environment, embrace new technologies, drive mergers and acquisition from an IT integration point of view, how you select whether you are outsourcing, out-tasking or keeping things in-house.

Those are really differentiating points for the future, and I'll elaborate a little bit on the latter one. We are moving to a full IT service provider environment. A lot of these service provider ideas really come down to what you keep in-house, where you compete with others, and where your capabilities complement others. So, they are really looking at a whole supply chain in the sense of looking at complementors and competitors. It's becoming a value net that IT organizations will have to look at and will have to manage. That is where the differentiation will be in the future.

Gardner: Anything else for us on that subject, Jeroen, about the competitive issues and commoditization? On one hand, we're saying that commoditization happens, but it is good in that it levels the playing field for you to be innovative.

Bronkhorst: I agree with what Klaus said, especially in the area that new technologies keep coming up. You can find new things in the stores almost every day, and the more new technology that's introduced the more complex the world becomes, especially for IT organizations that have to keep it all up and running.

The challenge for a lot these IT departments is to make the right choices about which technologies to standardize on at what moment in time, and how to balance the cost associated with that with the quality you provide to your customer base. The real challenge is in doing that in a way that you distinguish yourself from the world surrounding you and being aware of the role you play in relation to your competitors and your complementors, as Klaus indicated.

Gardner: On a more pragmatic level, for those companies that are not quite into this yet, but want to be, how do you get started? How do you say, "I want to have a professional approach to ITSM? I also want to learn more about ITIL and how

that could be useful tools for me?" Should you do one before the other? Are they something you can do on a simultaneous track? How do you get started?

Schmelzeisen: You always have to look at three main components, and we have mentioned them a couple of times before. It's people, process and technology. As people are driving most of the changes it's definitely a good idea to have at least a certain number of people trained and certified, so that they can make educated decisions on technologies and processes later on.

When it comes to the process work, this can start in parallel, but definitely requires trained people. Technology is something that is definitely very important, but technology alone will not solve the problem. What's your view on this, Jeroen?

Bronkhorst: I agree with that. For those organizations that do not know yet whether a process-oriented approach is right for them we have a very interesting simulation game from our education department. We simulate processes in a non-IT environment, and make people aware of the value that can bring to their daily job.

We don't go into any of the ITIL or ITSM specifics right away, although there is some theory in the training. It's really a simulation, and that is what a number of organizations start with. There are others who are more knowledgeable in this area already, and they typically want to go straight into a discussion as to how to compare themselves to industry best practices and what areas to address to improve. Then, we get more into a project simulation and assessment type approach, where you basically have a discussion with each other as to where we are today and where we want to be in the near future.

Gardner: I've been thinking about this as something for very large organizations, but perhaps that's not the right way to look at it. How does this scale down? Does it fit well with small- to medium-sized businesses, or even smaller divisions within larger corporations? What's the shakeout in terms of the size of the organization?

Schmelzeisen: You can deploy it to very small organizations as well. There might be one significant change: the need for automation. My experience is that this grows with the size of the organization. So, if you are a 170,000-person company with a huge IT department, you ought to have automated processes. This obviously means the processes need to be standardized and well understood, and people need to be trained on it.

If you are a 10-person IT department, you still have to have processes, but probably if you are such a small group, and you might even be located in one place, you can still do this without automation, using more basic tools, even on paper. Nevertheless, the need to understand your processes and have them well defined is independent of the size of the company.

Bronkhorst: There is actually a book from one of the ITSM's chapters around how to apply ITIL in a small-size business environment, though I think that underlines the point that Klaus is making.

Gardner: Great. Well, thanks very much. This has been an interesting discussion about IT Service Management, making IT a professional organization with customer-focused quality of service as goals, and how to go about that on step-by-step basis.

Discussing this with us today have been two executives from Hewlett-Packard -- Klaus Schmelzeisen, the global director of the Global ITSM and Security Practices at HP Services Consulting and Integration group, and also Jeroen Bronkhorst, the ITSM program manager with HP Services Consulting and Integration group. I want to thank you gentlemen both for joining us.

Schmelzeisen: Well, thanks, Dana.

Gardner: This is Dana Gardner, principal analyst at Interarbor Solutions, and you have been listening to a sponsored BriefingsDirect podcast. Thank you.

Listen to the podcast here.

Podcast sponsor: Hewlett-Packard.

Transcript of Dana Gardner's BriefingsDirect podcast on ITIL v3 and IT Service Management. Copyright Interarbor Solutions, LLC, 2005-2007. All rights reserved.