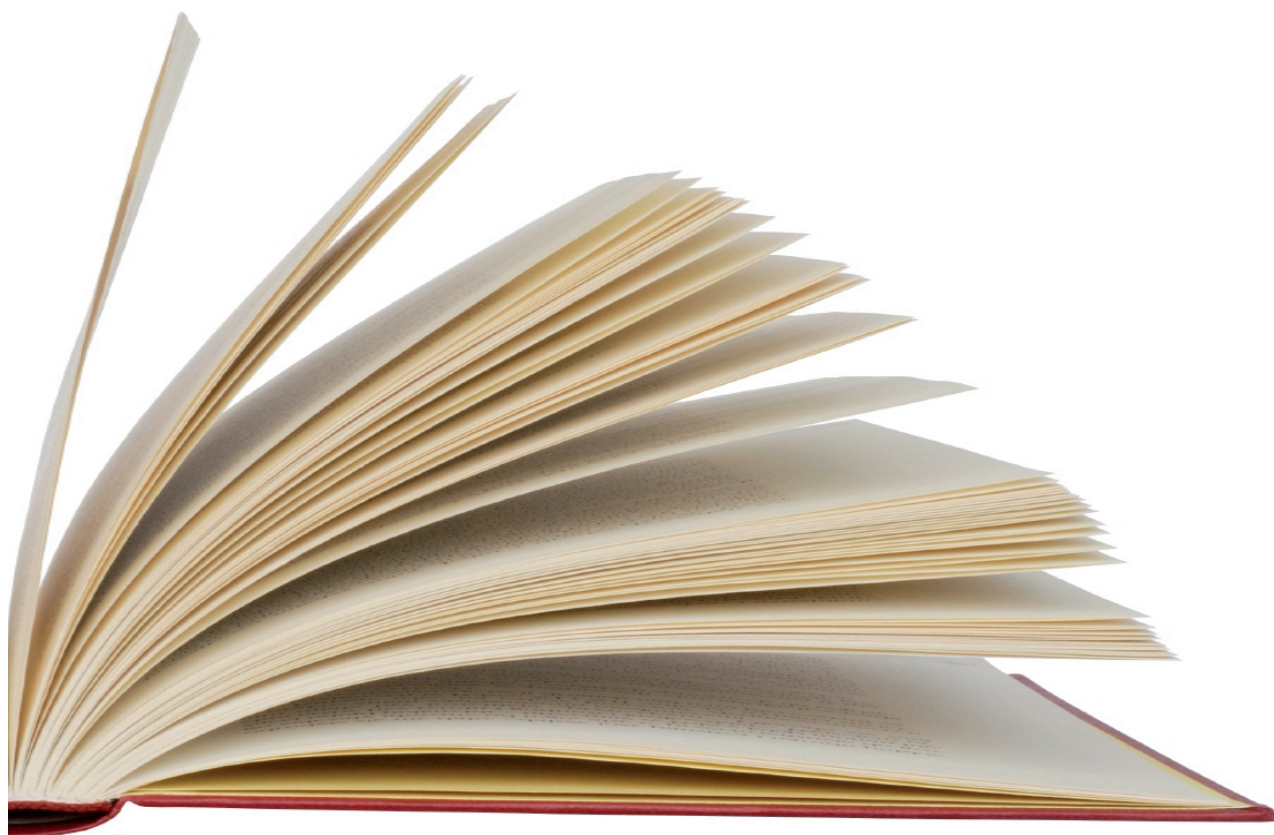


Customer First?

*The value and application
of service catalogues*



Nolan, Norton & Co.



FORCEFIVE



February 2009

Table of contents

- 1. Management Summary** 5
- 2. Introduction** 7
- 3. Survey findings** 11
- 4. Overall conclusions** 21

1. Management Summary

The reasons for companies to implement a service catalogue are as diverse as the definitions of what a service catalogue actually is, its scope and the relative degrees of success it achieves. The definition of a service catalogue varies from being a contract with an IT supplier, to a description of service levels, to a web portal where end-users can actually request services and equipment.

In general, service catalogues are used as broadly applied instruments to manage the business-IT relationship. Their use is regarded positively, as demonstrated by their receiving an average score of 3 on a scale from 1 to 5 in the web-survey that was used as one of the sources for this paper.

From this survey a broader set of characteristics is revealed concerning the value and application of service catalogues.

In summary:

- The initial objectives for a service catalogue are generally customer-oriented.
- The value of service catalogues actually experienced in practice is less customer-related and more internally-oriented than intended. Most value is created in the following areas:
 - Service standardisation
 - Reference for services / a basis for service level agreements
 - Cost transparency
- Services included in the service catalogue are (still) mainly commodities.
- The service catalogue typically supports the delivery and support processes for commodities, but also budget planning and reporting.
- The investment required is generally estimated as relatively low, but can also be substantial.
- Implementation of a catalogue takes half a year on average, depending on the size of the IT function.
- Bottlenecks that obstruct success are diverse, with a too strong focus on details and internal processes as main concerns.

From the various interviews conducted for this study, it appears that important steps still need to be taken as far as the customer orientation of the IT function is concerned. For both IT and business, the challenge is to increase partnership. The overall conclusions from this study are clear: ser-

Service catalogues represent an effective instrument to increase IT efficiency. Service catalogues also represent an important building block for building the business-IT relationship (which has been the primary objective for most organisations so far). All this needs to be balanced consciously with an effective IT governance structure and the more human touch of relationship management.

2. Introduction

IT organisations have to deal with a constantly changing environment. Trends like outsourcing, company mergers, acquisitions and market turmoil clearly show the need for companies to be flexible, and thus for flexible and customer-focused IT organisations. The internal customers of IT organisations expect a flexible and professional IT partner that contributes real added value to their business objectives. And increasingly they want to have a clear understanding of the services and the costs or prices of these services as delivered by the IT organisation. Having a service catalogue in place is one of the instruments that IT organisations can use to ensure their offerings and performance are transparent and to improve alignment with their internal customers. This paper is the result of a joint initiative of ForceFive, Nolan, Norton & Co. and CIO Magazine to investigate the value and application of the service catalogue within the CIO community in the Netherlands. This research focuses on gaining more insight into the value of service catalogues as perceived by the CIO community and the key success factors for implementing them.

Various purposes of service catalogues

Utilisation of service catalogues is gaining ground within the CIO community. This is also reflected in the fact that one of the major changes of the third version of ITIL with respect to former editions is the emphasis on the Service Lifecycle. The Service Catalogue along with the overall Service Portfolio have now become key elements within this best practices framework instead of mere 'nice-to-haves'. Regardless of ITIL, many (but not all) mature IT organisations have undertaken the deployment of a service catalogue in one form or another. The definition of a service catalogue varies from being a contract with an IT supplier, to a description of service levels, to a web portal where end-users can actually request services and equipment.

“The service catalogue is primarily part of the contract with our service provider. The service catalogue gives the services and terms and conditions that are available to my business colleagues. The service catalogue is not an instrument for the demand side of IT. Information Management is part of my IT organisation, and so is the IT budget.”

Nico Westpalm van Hoorn, CIO – Rotterdam Port Authority

So a service catalogue is a common word that serves a variety of underlying purposes. These range from a contract with an external vendor (1), to a true 'service ordering and fulfilment portal' (2), to a Word document with service levels (3), to a full overview of (costs and prices of) IT services related to business services provided to the external market (4). Add this to

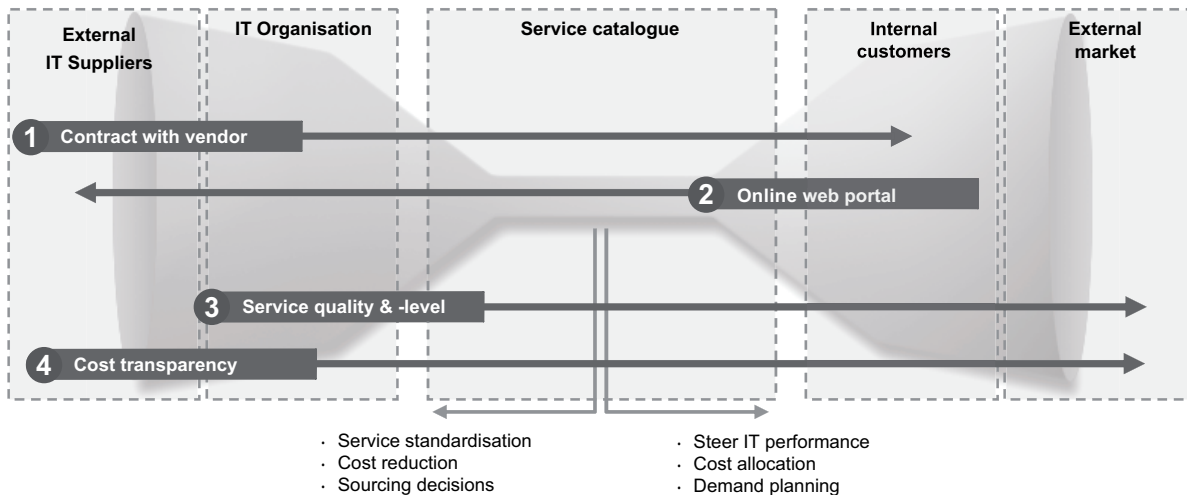


Figure 1: Application of the service catalogue for different purposes.

the fact that companies may take different approaches to developing and implementing a service catalogue and it will come as no surprise that the relative success of the service catalogue as perceived by the customer and the IT function itself varies from case to case.

“Creating transparency in services and costs is a joint effort of the IT organisation and the business and is a first step to get to a better understanding and standardisation of IT offering and approach. This will help to build confidence and establish a mutual basis for a dialogue to identify how the business can steer the IT organisation and its added value to the business”.

Maarten Jonker, Manager, Information Management Division – Achmea

The same applies to the definition of ‘internal customer’. The IT department may refer to ‘colleagues’ or ‘internal customers’. This difference results from the size of the organisation, as well as the management structure (e.g. P&L responsibility in business units) and the level of trust between the IT organisation and their colleagues or customers. This difference in background impacts the way in which the IT organisation interacts with its internal customers or colleagues.

This research does not elaborate on these differences in definitions and content, but positions the ‘service catalogue’ as a general instrument for business-IT alignment, which can be used in various types of situations and levels of maturity.

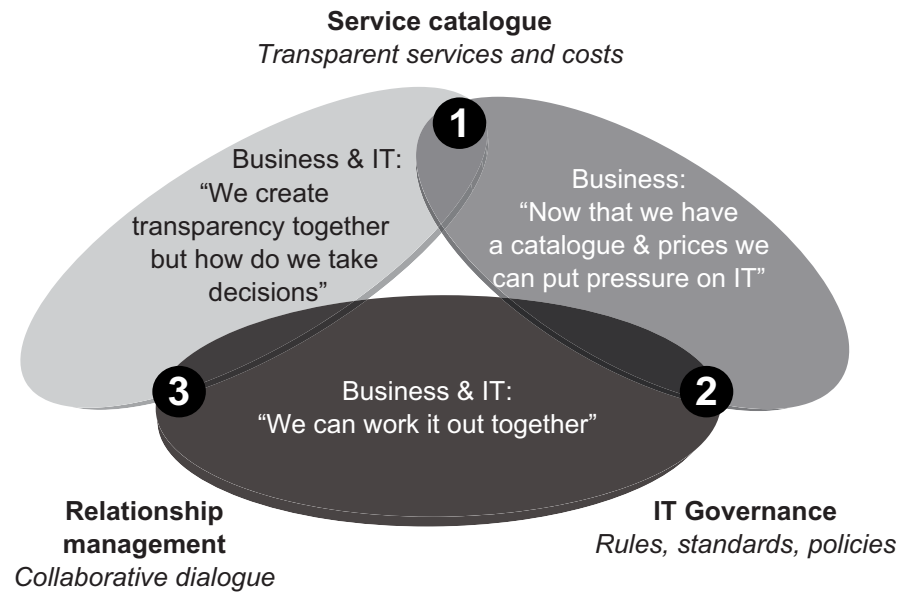


Figure 2: Aspects of business-IT alignment.

The service catalogue as one aspect of business-IT alignment

Both the survey and the interviews with several respondents clearly show that establishing a service catalogue contributes to the professionalisation of the IT organisation. The interviews also indicated that additional steps are needed to improve business-IT alignment. A service catalogue is of great value as the basis for the start of a professional dialogue between IT and business, but does not improve customer satisfaction as such.

To achieve a professional level of business-IT alignment with high customer satisfaction, a conscious balance is required between three aspects: IT governance (rules, standards, policies), relationship management (collaborative dialogue, partnership) and the service catalogue (transparent services and costs).

“The need for a service catalogue became clear when we started to define service level agreements for our services. It was clear that we needed to describe our services and service levels to be able to offer professional services and SLAs.”

Pim van der Horst, CIO – KAS BANK

Research methodology

This study on the value and application of service catalogues is based on an online questionnaire, additional face-to-face interviews with ten respondents, and a discussion at the CIO Day 2008 to gain a thorough understanding of the arguments behind their responses. To support these in-

interviews, the answers of the individuals were contrasted with the average analysis results. The questionnaire was completed by 50 CIOs and/or IT managers.

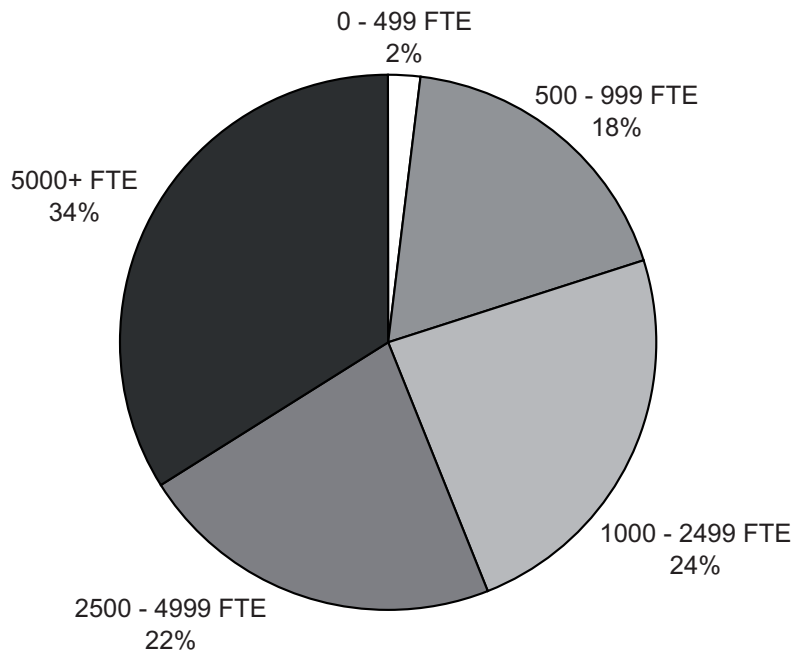


Figure 3: Percentage of respondents to size of their organisation.

3. Survey findings

The majority of the respondents (74%) indicated that a service catalogue had been implemented within their organisation in some form or other. Only these respondents were included in the data analysis. However, those without a service catalogue were included in the interview series to better understand the rationale behind this decision.

The initial objectives for a service catalogue are generally customer-oriented

The main driver across all responding companies for the development of a service catalogue is service standardisation (86%), followed by improving customer orientation (70%), reference for IT services (65%) cost transparency (62%), and finally 57% of the respondents indicate that the service catalogue is used as a basis for establishing service level agreements. See figure 4 for further details.

The service catalogue is not primarily seen as an instrument to define IT processes. This is fortunate, as the users will not be bothered with issues that are internal to the IT organisation itself. Generally it is found that 'internal IT' considerations are not a driver for introducing a service catalogue.

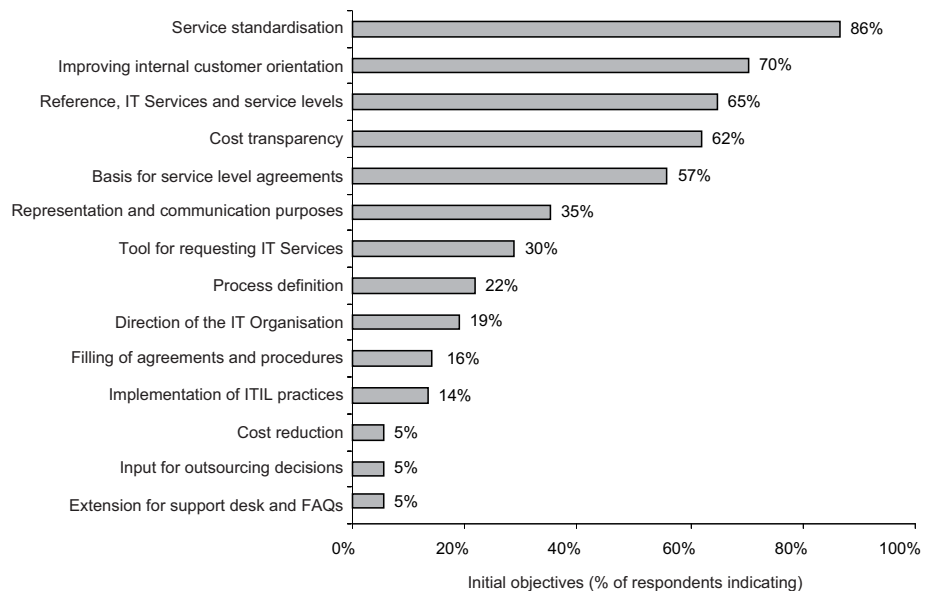


Figure 4: Objectives for initiating a service catalogue. Graph shows the percentage of respondents indicating a particular objective.

The value of service catalogues actually experienced in practice is less customer-related and more internally-oriented than intended

In general, the major initial objectives seem to be achieved reasonably well (see figure 5).

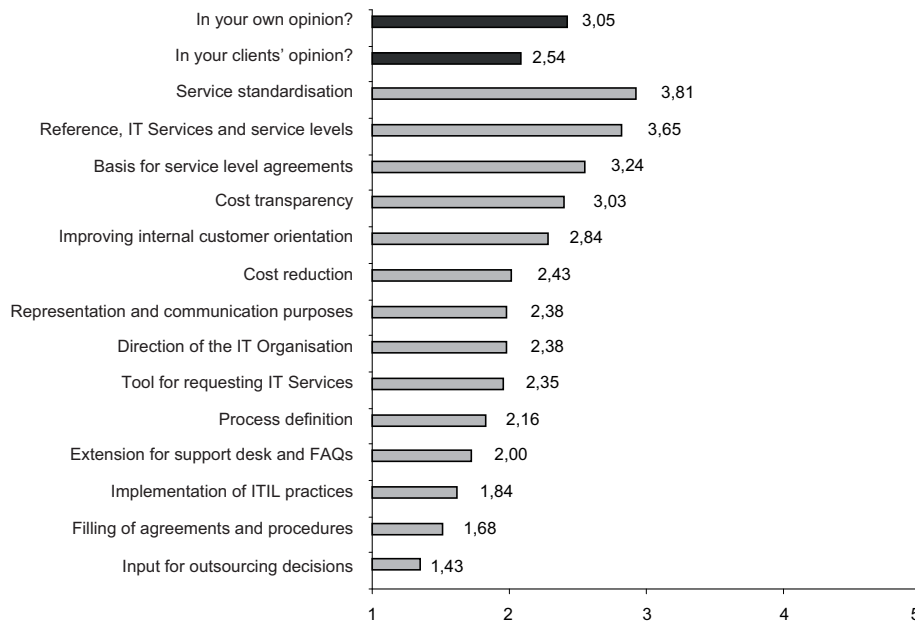


Figure 5: Perceived value of the service catalogue. Graph shows average score on a scale from 1 to 5, with 5 indicating maximum success.

The service catalogue is seen as particularly useful as an aid in the standardisation of services (3.81 on a scale from 1-5), as a reference for IT services and service levels (3.65), and as a basis for service level agreements (3.24).

The objective of improving internal customer orientation results in a mediocre score (2.84 on a scale from 1-5), which seems rather disappointing as this was an important objective in 70% of the cases. In general the figures seem to indicate that the customer orientation of the service catalogue is less effective than had been hoped.

The scores for cost reduction and cost transparency are interesting in this perspective. While cost reduction was an objective in only 5% of the cases, it proved to be a valuable means for both cost transparency (3.03 on a scale from 1-5) and cost reduction (2.43). So service catalogues seem to deliver more efficiency gains than targeted for. In other words, the actual benefits of a service catalogue are more internal to the IT function than had been expected.

When asked to contrast their own perception of success with the perception by the business, CIOs generally expect the business perception to be less positive. This may be explained by the service catalogue serving a positive role in structuring and organising the IT function itself. The overall success rate given by the IT organisation is a 3, whereas they think their internal customers will give a score of 2.5 on a scale of 1 to 5.

“We don’t use the term ‘internal customers’ in our organisation, we prefer the term ‘colleagues’ as neither of us can choose not to work with the other. We don’t have a service catalogue, but define IT solutions based on the input of the business regarding their needs and priorities. IT takes the responsibility for offering the best IT solutions to meet those needs.”

Hans Tesselaar, Innovation Director – Sourcing and Governance BPI ING / Nationale Nederlanden

The target audience for a service catalogue is in line with its customer orientation

Business managers (68%), information managers (54%) and service managers (51%) were indicated as being the primary intended audience for the service catalogue. This indicates that it is mainly used as an instrument in the service managers/business services area. This finding also supports the view that service catalogues are mainly intended to strengthen the customer orientation of the IT function of an organisation.

Less than the majority (43%) indicated that end-users were part of the audience. As expected, this only applies to the cases where the service catalogue is also used for commodity ordering. As can be expected, only a few organisations indicated that project managers, account managers or external suppliers were targeted in the use of the service catalogue.

Services included in the service catalogue are (still) mainly commodities

The question of which services are covered in the service catalogue yielded the results that had been anticipated. The focus is on commodity and/or operational services described in the service catalogue. Application development is often not included in the service catalogue, or merely described in higher-level terms.

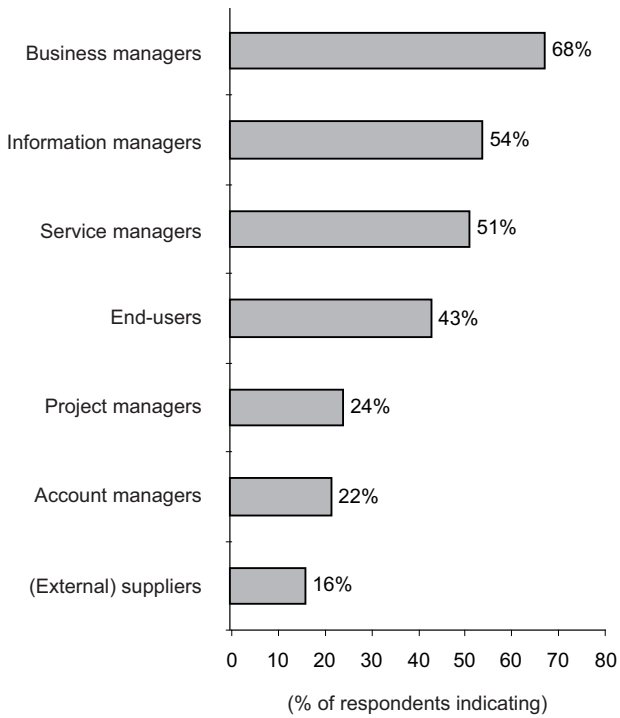


Figure 6: Target audience of the service catalogue. Graph shows the percentage of respondents indicating a particular audience.

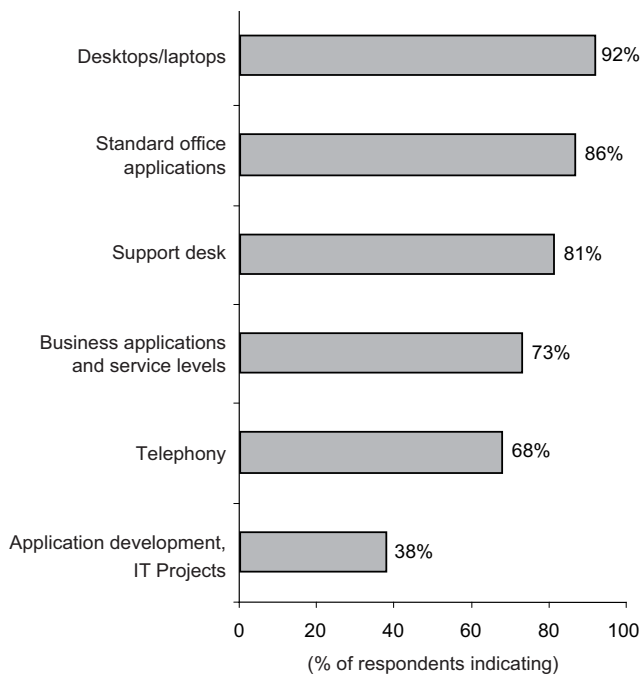


Figure 7: Services covered by service catalogues. Graph shows the percentage of respondents indicating a particular service as being part of the service catalogue.

The service catalogue typically supports the delivery and support processes for commodities, but also budget planning and reporting

The service catalogue is used in the service level management process in 86% of the cases. The other main application areas are 'user support desk' (68%) and 'ordering of IT resources' (65%). Yearly budgeting is the last major area indicated by 59% of the respondents, primarily represented by the larger companies and larger IT organisations. In contrast, the service catalogue is utilised for cost reporting purposes in only 46% of the cases. An explanation might be that making budget estimates can be easily supported by a readily available service catalogue, whereas the translation of rigid cost allocation systems data into costs per services as defined in the service catalogue is not. This finding makes a good match with the finding that cost transparency and cost reduction appear to be valued results of the service catalogue.

“Whether or not you need a service catalogue depends on a few criteria: performance of the IT organisation, size of the organisation, culture (also at executive level), IT governance framework, transparency of IT costs and communication skills of IT staff. When the business asks for a service catalogue you may already be too late. Trust in the IT organisation (people and results) is more important than the existence of a service catalogue.”

Henk Grevelman, CIO – ZwitserLeven

Furthermore, the interviews revealed that while some companies directly pass on services defined in the service catalogue to their suppliers, most do not. This may explain the somewhat low level of service catalogue usage in the supplier management process (see 'Directing external suppliers' in figure 8).

The investment required is generally estimated as being relatively small

The vast majority of the companies (73%) indicate that the investment needed remained below €100,000. A further 21% indicated that it had required an outlay of less than €500,000. Internal hours were typically not included by the respondents. Nevertheless, an investment of below €100,000 seems relatively small, assuming it represents an effort of just over one man-year. Particularly when services are not just named in a catalogue, but also specified in terms of their functionality, availability, security and so on, one man-year is modest. When a cost price or tariff is also given for services, a more elaborate effort is definitely required.

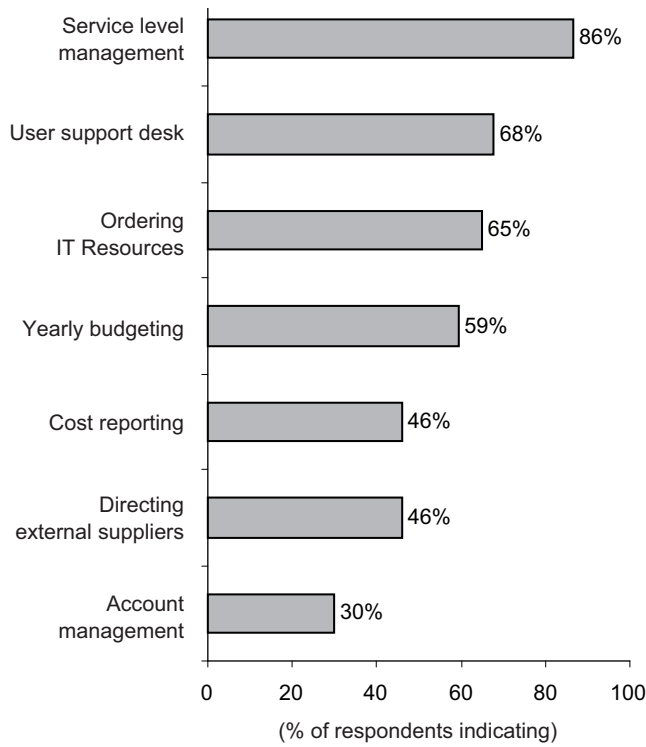


Figure 8: Processes supported by service catalogues. Graph shows the percentage of respondents indicating a particular process.

For now there is too little information to make a judgement, but the relationship between investment and the thoroughness/effectiveness of a service catalogue seems worthy of further exploration.

Implementation of a catalogue takes half a year on average, depending on the size of the IT function

Of all respondents, 45% indicated that it took more than 6 months to implement a service catalogue. Only those with a small IT organisation of less than 49 FTEs managed to complete a service catalogue within 6 months. The 11% for which it took more than 9 months were exclusively the larger organisations totalling 5,000 regular FTEs or more. On the whole, a range of 3 to 9 months seems to be typical within the population investigated.

In general it was said that the challenge is to keep a catalogue up-to-date. New service requests arise continuously, services need to be modified or extended, cost prices change, and so on.

“Creating a service catalogue is not a project but a an ongoing process of additional steps and improvements. It’s never quite finished”.

Henk Overbeeke, Project Lead Enterprise Service Management – Shell International

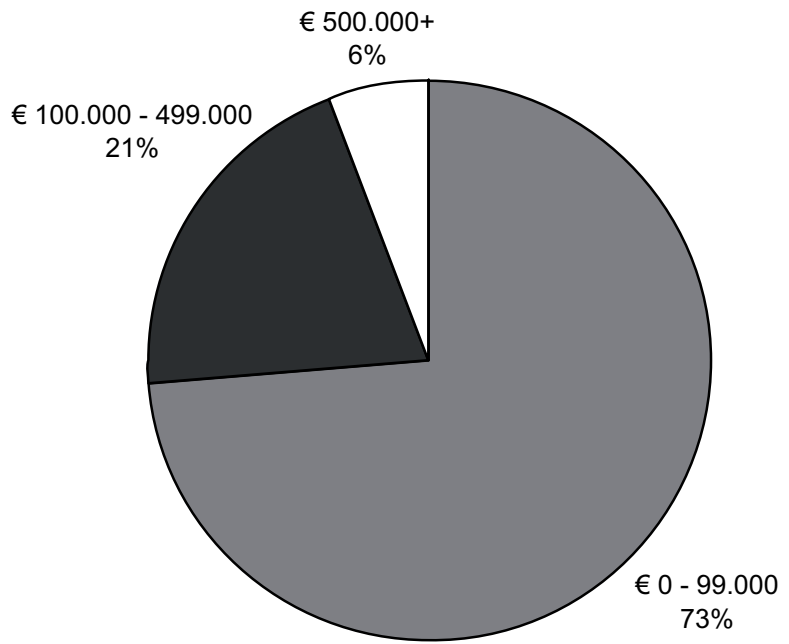


Figure 9: Investments needed for a service catalogue. Graph shows the percentage of respondents indicating a particular investment range.

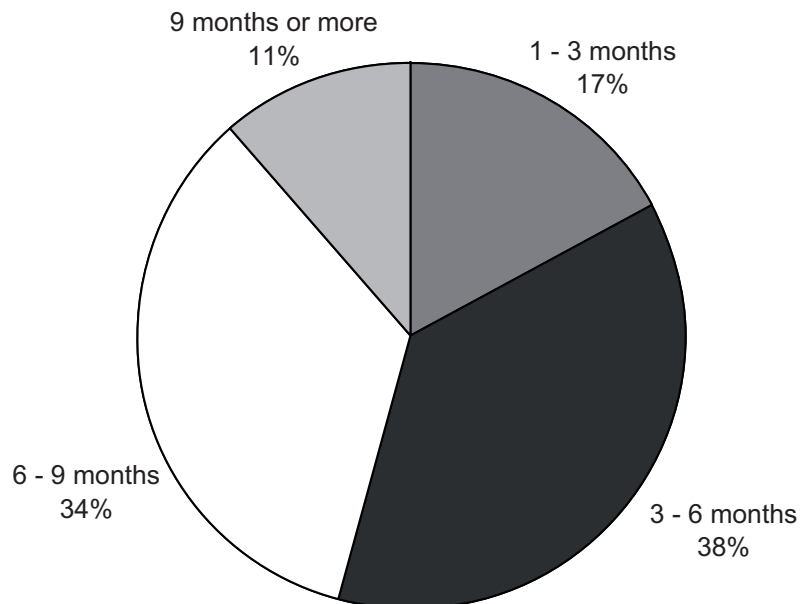


Figure 10: Duration of service catalogue implementation. Graph shows the percentage of respondents indicating a particular duration.

Publication is primarily based on paper or electronic documentation

In terms of the way the service catalogue is distributed, nothing out of the ordinary has been encountered. Both print and intranet are reported as the channels of choice. Interactive forms of use through the intranet do not seem widespread, with only 27% providing some sort of online ordering system.

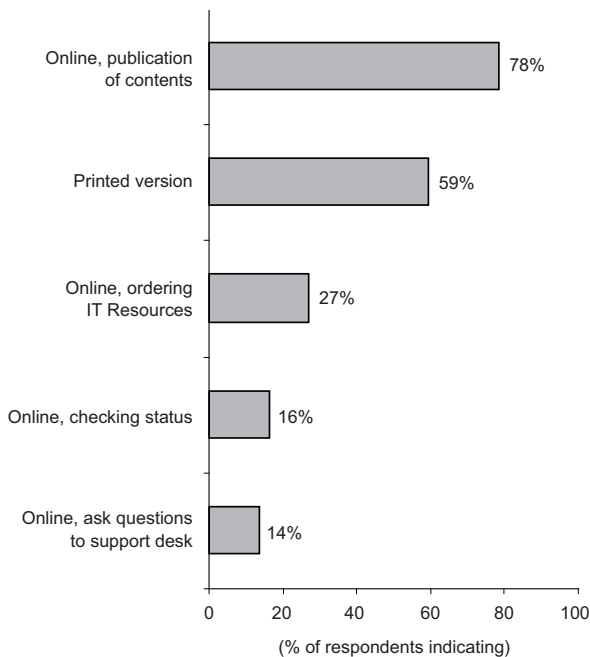


Figure 11: Publication and distribution of the service catalogue. Graph shows the percentage of respondents indicating a particular format/channel.

Bottlenecks obstructing success are diverse, with a too strong focus on technical details and internal processes as main concerns

It is commonly felt that the services have been defined from an overly technical or process-oriented perspective. Interestingly enough, insufficient expertise or experience has not been mentioned as a major issue. (See figure 12 for details).

“We need to help the business to define their requirements. This requires us to translate our services into business benefits and also sometimes to discourage the business when it tries to do the job of the IT organisation.”

Pim van der Horst, CIO – KAS BANK

Another key finding indicated in figure 12 is the lack of standardisation of products and services. Apparently many organisations initiate a service catalogue project and find out that they lack the required standards and ser-

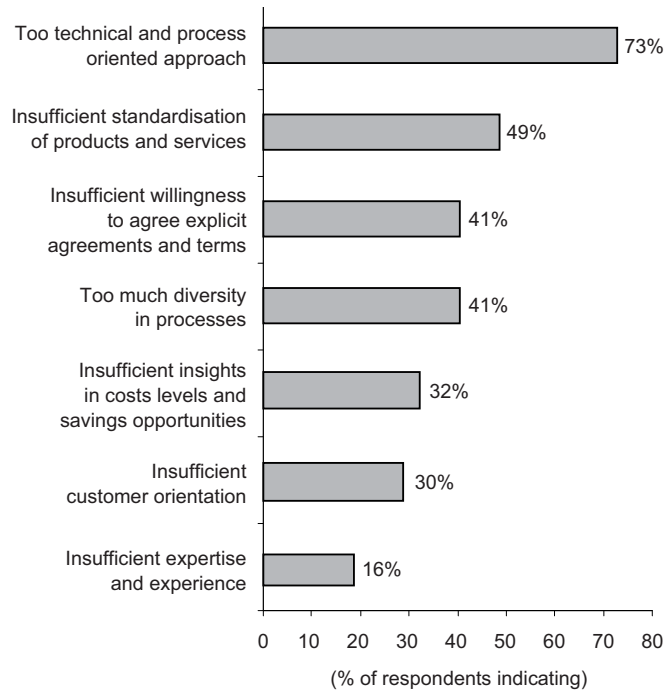


Figure 12: Bottlenecks obstructing the success of the service catalogue. Graph shows the percentage of respondents indicating a particular bottleneck.

vice specifications along the way. This finding makes a good match with the previously described finding that the initiation of a service catalogue is an effective means for driving objectives such as standardisation and cost efficiency.

4. Overall conclusions

The service catalogue is an instrument that has been implemented in the majority of organisations involved in this study. The survey shows an overall success rate of 3 (on a scale from 1 to 5) indicated by the organisations' CIOs.

The primary value created by service catalogues is found in the following areas:

- Service standardisation
- Reference for services / a basis for service level agreements
- Cost transparency

These benefits are worthwhile, but do not exactly match the objectives foreseen at the start of the various service catalogue implementation projects. Typically, an objective like 'improving internal customer orientation' only receives an average score in terms of actual value created in practice. Service standardisation on the other hand is clearly experienced as a valued outcome. In line with this, less explicit objectives such as cost transparency and cost reduction are also revealed as being valued results. So service catalogues clearly play a role in achieving IT efficiency (besides managing the 'relationship' between business and IT).

The interviews conducted for this study also showed that the service catalogue is an important instrument for optimising IT efficiency. From these interviews it also appears that important steps still need to be taken as far as the relationship between business and IT is concerned. For both IT and the business, the challenge is to increase partnership. The service catalogue proves its value in this respect as a common basis for further discussions about increasing business value and reducing costs.

“Our service catalogue and service model enable us to translate IT components to business functions, together with the associated IT costs. With these instruments we can have a dialogue between business and IT, so we can make joint decisions about the quality and costs of IT services. As well as having these instruments as a basis, it's very important that IT staff have the right relationship skills – it's more powerful to listen than to speak!”

Rob de Haas, CIO – ABN AMRO Bank

The conceptual model addressed in the introduction to this document (in which effective business-IT relationships depend on three factors) is very well recognised by the CIOs involved in this study:

- Service catalogue – for transparent services and costs
- IT governance – for rules, standards and policies
- Relationship management – for collaborative dialogue

Opinions regarding the importance of the individual factors differ significantly however. Some of the survey participants believe that a service catalogue is only needed when IT governance and relationship management are not sufficiently effective. Others consider the service catalogue to be a bare necessity for keeping a grip on service performance, complexity and costs. So far, no statistical correlation is found between these opinions and the type and size of the survey participant’s organisation.

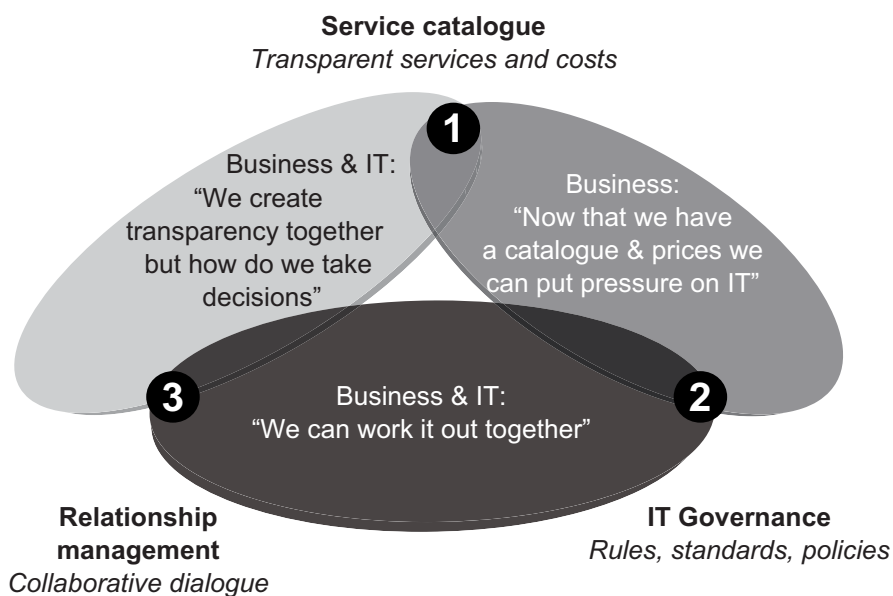


Figure 13: Aspects of business-IT alignment.

Nevertheless, the overall conclusions from this study are clear: service catalogues represent an effective instrument for increasing IT efficiency. Service catalogues are also an important building block for building business-IT relationships (which has been the primary objective for most organisations so far). All this needs to be balanced consciously with an effective IT governance structure and the more human touch of relationship management.

Miel Geleijns
Senior Manager, Nolan, Norton & Co.
miel.geleijns@nolannorton.com

Anita van den Hoek
Partner, ForceFive
a.vdhoek@forcefive.nl

Koen Klaassen
Senior Consultant, Nolan, Norton & Co.
koen.klaassen@nolannorton.com



ForceFive helps to professionalise the relationship between business and (IT) service organisations. We use a marketing and business driven approach to develop and implement instruments that bridge the gap between business and IT. We create transparency in services and costs, improve customer services and satisfaction, and develop and execute a communication plan. Our consultants and interim managers are experts in the areas of: project portfolio control, customer satisfaction and service improvement, demand and supply management, service catalogue development, cost transparency and internal communications.

ForceFive
Oud Mijl 20
1181 PD Amstelveen

Internet : www.forcefive.nl
Phone cm1 : +31 (0)20 503 6296



Nolan, Norton & Co. (NNC) consults and guides the senior management of international companies in the development and implementation of their corporate and business strategies. NNC's experience and thought leadership in strategy design, organisation design, governance, information technology and execution are the key factors that distinguish us from other strategy firms in the Benelux consulting market.

Nolan, Norton & Co.
Driebergseweg 17
3708 JA Zeist

Internet : www.nolannorton.com
Phone : +31 (0)30 6866 666
Fax : +31 (0)30 6866 699