

# Chapter XX

## A Model for IT Service Strategy

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### ABSTRACT

*This chapter describes a suggested model for developing a service strategy within IT services. It considers the context, the organization of IT services which might be appropriate for a service strategy. It discusses the content of an IT service strategy which it suggests should be presented as a portfolio of services. It reviews the process of developing the service strategy, suggesting a set of steps which may lead to the development of appropriate content within the right management structure. The example of hospital information systems is used to illustrate the strategic process. In order to set the scene for the strategic process, the state of information systems strategy research is discussed and set in the context of the developing service management research literature. The term service-centric is used and the difference between service-centric IT management and service-oriented architecture is clarified. A case is made for a migration from an IT strategy based primarily on the development of a portfolio of IT systems to a service-strategy based on the development of a portfolio of business services.*

### INTRODUCTION

In the last decade there has been a significant shift in many IT departments. IT departments increasingly recognize that IT within an organization is a service which, like other services within organizations, aims to deliver value to the organization through the way that it supports the activities of the business. This has led to an in-

creasing emphasis on the delivery of IT operations as a service which not only involves the building and delivery of the software and hardware, but also the execution of a wide range of activities around the technology.

The influences that have led to the realignment of IT as a service are complex. Economies, particularly in the West, are changing from a goods base to a service base (Rai & Sambamurthy, 2006).

In terms of business models, many companies are repositioning themselves as service organizations. The technological products, which were previously the focus, become part of a larger service. The Volvo lorry is part of a logistics service and is seen in that context (Edvardsson, Gustafsson, Johnson & Sanden, 2000). A technological product is seen as a service waiting to happen. In addition to the manufactured goods being set in a service context, they are also surrounded by support services involving maintenance, replacement, and training.

In IT departments, the rise of outsourcing, the move from making software internally to buying it and the recasting of IT as a commodity has further aroused a service mindset. The service focus of these changes has particularly been around quality. In delivering services and IT products to clients, outsourcers had to work on the definition of what the service was that was being contracted by the client, how it could be measured and how it could be judged as being up to a mutually acceptable standard. Hence, outsourcing led not only to a focus on contracts, but to the development of service level agreements and to attention to the expectations and perceptions of the customer. It was not just the technology that mattered—its reliability, availability and security—but the customer-focused services around it. IT outsourcers were no longer judged by the number of bugs in their software and its usability, but by the empathy, adaptability, and competence of their staff. In IT, quality became a much more complex subject.

A third influence on IT departments has been ITIL which emerged in the 1980's as a UK government response to the need to increase the efficiency and effectiveness of IT in the public sector. ITIL was taken up by many companies during the 1990's and became the standard approach to running IT service operations. However, until the release of ITIL3 in 2007, the focus of ITIL was in service operations, and particularly in the support of information system applications.

Strategy was not effectively addressed. This recent recognition in ITIL of the importance of IT as a service function and of the need for a service strategy has been recognized for some time in industry in IS management, and expressed in a central concern for alignment: alignment of strategy, alignment of operations, and alignment of culture. In ITIL3, the Service Strategy text (Iqbal & Nieves, 2007) recognizes that the purpose of IT, like any service organization, is to provide value to the customer. The service must ensure that the customer can use her assets effectively to achieve business outcomes which are produced by business processes. This suggests a massive shift away from IT as technical support to IT as a service organization delivering business value to its customers.

However, even ITIL3 is weak on the processes by which a service strategy is developed. This chapter proposes a set of steps that may be undertaken in developing a service strategy and develops an IT governance approach that complements the organizational structures suggested in ITIL3. It also draws from the management literature to suggest service strategy techniques.

## **BACKGROUND**

The development of the field of services marketing from the late 1980s onwards provided a new set of concepts which could be used in the academic development of IT as a service discipline. An initial focus of service marketing was around the intangible nature of services (Brown, Fisk & Bitner, 1994; Bitner & Brown, 2006). A definition of the characteristics of a service remains of great significance to IT practice because of the contrast that can be drawn with a manufactured product. Although it should be recognized that the definition of a “product” in marketing is wide ranging, since a product can involve a service as part of its makeup—financial products are a good example, for the IT practitioner, the idea

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