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Business Service Management: What It Is and Why You Should Care

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Introduction

Business Service Management (BSM) is a relatively new term in the IT management community. Over the last few years, it has become a sort of buzzword—many vendors are adopting the term and using it to market their products and services. The average executive is now inundated with vendors and products all claiming to deliver BSM—whatever that means.

The purpose of this business training white paper is to explain what BSM is and what it isn't. It will describe BSM benefits, where the term comes from, why you need to know about it, which types of IT organization can benefit from using it, and how to get started.

What BSM Is and Isn't

First of all, BSM is not a product or a technology. You cannot buy BSM, and it does not come out of any box. Still, one vendor might proudly proclaim, "BSM is software that essentially forms a dynamic link between business-oriented IT services and the IT infrastructure components that support those services." This contradicts one of the original developers of the term, who likes to say that BSM is a "mindset, not a product set." However, that hasn't stopped many vendors from jumping on the BSM product bandwagon. It also hasn't stopped numerous analyst firms from weighing in either. In fact, one notable firm states that BSM is IT managers "understanding the metrics their business users employ to decide if IT is providing value, and linking these metrics and associated business services to IT infrastructure components." From this point of view BSM isn't software after all—it's metrics and component monitoring.

If you are confused, you are not alone. Since arising a number of years ago at BMC Software, a large IT management software vendor, the term has taken on life of its own. So much so, in fact, that BSM is quickly becoming like the term CMDB (Configuration Management Database), which is ambiguous and confusing. It's unfortunate too, since BSM is something that is absolutely critical to the success of IT. BSM has even found its way into the new ITIL® (IT Infrastructure Library, version 3), which defines BSM as "an approach to the management of IT Services that considers the business processes supported and the business value provided." Note the focus on understanding the reason for business needs. Basically, it means BSM is how to properly and effectively implement ITIL.

BSM has today reached a point where vendors can no longer make claims about what it "really means" or why their software implementation is "better BSM" than a competitor's. As described in ITIL v3, BSM refers to managing IT based on end-to-end services. It means understanding the marketing place for enterprise products, considering the work employees carry out in support of those enterprise products and managing IT resources in ways that best support that work. Note the absence of mumbo-jumbo about products, software, automated dashboards, configuration management databases, and all the rest.

BSM is not a software product; it is, indeed, a mindset—it is a way of thinking about IT resource allocations. BSM is a strategy described by the ITIL as an exercise in strategic thinking. So, how does one then attain the enlightenment that is BSM if it cannot be purchased or tangibly made? As with many skills, BSM must be learned before it may be practiced.

Why BSM Matters to You

The reasons for BSM are many; however, the primary driver is IT commoditization. IT commoditization refers to the fact that businesses today are more and more dependent upon IT services. As the cost for hardware and software falls, the ease with which it may be interconnected is increasing dramatically. This presents business with many alternatives to the traditional IT organization, because many businesses can simply acquire and install systems on their own that were traditionally the purview of an IT organization. In many organizations, such ad hoc business IT systems are then connected to traditional business IT systems. The result is an incredibly complicated environment that shows no signs of decreasing in complexity.

While the business not only assumes the mantle of IT provider in many cases, the requirements that businesses place upon their IT organization and technology, in general, are also increasing. Referred to as variability, the issue is that as a business becomes more entwined with information technology services, it can sustain less and less variation in the quality and delivery of those services.

For the IT organization, this combination of factors represents an “IT perfect storm.” Simply put, today’s IT organization faces ever-growing complexity with diminishing tolerance for poor quality. This, combined with economic realities such as decreasing IT budgets and headcounts, represent a no-win situation—not just for the business but also for the IT organization.

From this vantage point, BSM is used to steer ITSM, Application and Technology management, and operations within IT. BSM describes how the well-functioning IT service provider aligns with its business, understands its marketplace, and balances its resources in ways to best benefit the business.

BSM provides the guidance an IT executive requires to align with business, control the costs of IT, improve IT service quality, and balance resource allocations. Since the business does not operate independently of the IT systems or organization, it is equally important for technical and non-technical executives to understand how they must work together. BSM provides such a roadmap.

Moving from Good to Great

BSM is the highest point on the continuum ranging from managing IT resources, through managing applications, to managing workflow to managing towards business outcomes. IT organizations pass through each of the following points as they mature.

Technology Management

Technology management is usually the first phase of a maturing IT organization. Managing technology typically involves technology silos and organizational autonomy and bias based around the resources required to manage a particular type of technology (for example, networking or software development.) Technology management is focused on technology and is generally represented with fragmented management views due to its disconnected and technologist nature. This produces an emphasis on resolving IT technical issues. It can also result in redundant investments. The value of investments made in information technology at this technology management stage is generally minimally visible to the business and mostly visible to the IT organization.

Application Management

Application Management is generally the natural evolution of the IT organization from a technology point of view to an application point of view. Application Management subsumes Technology Management and gives it direction and focus.

From this perspective, the maturing IT provider begins to consider the fact that it provides applications to its business customers and users. These applications, in turn, provide value to the enterprise. Application management is an evolution of technology management—slightly more encompassing application silos replace individual technology silos. Generally these application silos span several technology silos and even some IT organizational boundaries. Management design focuses on the requirements of the application. This produces a limited integration of management views, and the IT emphasis is on resolving application issues. The primary value of information technology investments at this phase is visible to the business customers and users of the applications.

IT Service Management

IT Service Management (ITSM) is the term used to describe managing the workflow and activities within an IT organization. ITSM considers not only the application, but also the entire organization and workflow required to deliver applications and other services to the business. ITSM expands beyond applications to encompass all manner of support required of the IT organization by a business.

The ITIL is the de facto best practice describing ITSM. ITSM presents an evolving and integrated approach to managing IT services. The concept of managing by service is relatively simple—in order for the IT service provider to add value to its enterprise and consumers, the IT provider must focus on end-to-end service delivery. This requires the provider to understand the marketplace within which the consumers of its services operate. From a normal corporate or enterprise perspective, this means the IT department must understand not only its business customers and users, but also the marketplace where the enterprise offers its products. IT value arises at the boundaries between the enterprise and its marketplace. IT services provide an indirect value—the IT service facilitates the interaction of business customers and users with enterprise end-customers and end-users.

Business Service Management

BSM is the term used to describe the strategic direction required for ITSM to be successful. BSM, simply stated, aims to manage IT investments in ways that matter most to the success of the enterprise and its marketplace. BSM also means making decisions in IT based on what is best for the enterprise. It spans all technologies and all organizational boundaries. BSM, focusing on process integration and automation, leads IT Service Management and design.

Most IT organization's emphasize addressing the business's service issues. IT investments' value at this point becomes clear to the marketplace and is seen by the enterprise as competitive advantage.

How To Achieve BSM

The mind-set of BSM requires just four steps.

- Define IT services and validate business case
- Analyze service value and prioritize to balance demand
- Measure quality to choose improvement opportunities
- Authorize and allocate resources

These four steps create a framework with which to achieve success from investments in ITSM initiatives such as ITIL.

Step 1: Define IT Services and Validate Business Case

The basic concept is straightforward—to manage by service requires the service be defined. This does not require complete service articulation from enterprise product through to the last bit of IT hardware or software, but rather an understanding of key business processes, business customer and user constituencies, and primary IT services supporting the same. These are referred to as Customer Facing Services and represent those business applications and services critical to the enterprise. They need not be completely defined; however, they must be initially defined for the IT organization to be able to value them.

With a service defined, its business case is next. The purpose of the business case is to justify significant expenditure—and IT services represent significant benefits and liabilities. The business case will include information about costs, benefits, options, issues, risks, and possible problems. It will also include a description of the service, including its operational characteristics, methods of use and acquisition, and support.

Step 2: Analyze Service Value and Prioritize To Balance Demand

IT service valuation is an important next step. With IT services defined at a high level, it becomes critical to prioritize them relative to each other. Given that IT services represent not only benefit to the organization, but also liabilities and risks, effective IT service valuation is essentially a risk management exercise. Valuing IT services based on the risk they provide to the enterprise provides an objective value achieved by working with the business. This value is used to rank services in terms of IT focus. Generally speaking, at this point, the most important services will now be known and agreed to by all.

Value is more than cost—as well as replacement costs, it includes possible fines, levies, loss of profit and revenue, legal and social obligations, etc. Quantifying the benefit—and the liability—of a service establishes its value to the enterprise.

Step 3: Measure Quality To Choose Improvement Opportunities

Following definition and valuation, it becomes critical to measure the quality of IT services. IT service quality cannot be measured from within the IT organization. At best, internal measurements of capacity, availability, and so forth can predict what a user or customer may experience; however, true IT service quality may only be measured subjectively based on customer satisfaction. Measuring quality externally from the organization indicates those services that are not performing as required—from the point of view of the service consumer. The IT manager then turns his or her attention to understanding the capability of the organization for that service. The product of this measurement phase is a gap analysis indicating what is required and what is being delivered.

This gap, of course, represents an improvement opportunity—an opportunity defined in business terms, in agreement with the business, and of the utmost importance to the success of the enterprise.

Step 4: Authorize and Allocate Resources

The final phase is the justification of the improvement project in business terms. Every IT improvement program should be instantiated as a formal project. This does not require significant investment in overhead or infrastructure with regard to project management, but rather a focus on a strong business case. The business case, defined in business terms and with supporting documentation from business stakeholders identified during the definition, valuation, and measurement phases, is critical.

This process ensures an easily understood document that describes in business terms why the improvement is required and what will happen if the improvement is not achieved. Having a defined beginning and end, along with specific goals and objectives, the business case becomes a much stronger document than traditional IT proposals.

It is these projects and opportunities which one can solve using ITIL, purchasing products, obtaining training, improving process, better managing resource, etc.

How to Get Started with BSM

It is critical to remember that the purpose of BSM is to lead ITSM, often in the form of an ITIL implementation. For most organizations this makes education and training the first step. ITIL brings with it a common dictionary of IT terminology, as well as many tools and techniques that must be learned, because most IT organizations operate without them today (and generate the problems most IT organizations today face.)

To get going with BSM requires the appointment of a manager to steer the BSM initiative, and provide guidance to the ITIL implementation. Specific management training in BSM techniques (Defining, Valuing, Measuring and Justifying IT services) is critical for the manager of the BSM initiative. BSM and the adoption of ITIL are such important projects that they require formal oversight. The project manager should be an ITIL Certified Service Manager or have at least one advisor who is so certified. This is a long-term project, and every effort should be made to have the same Certified Service Manager to provide continuity to the ITIL implementation.

This person, perhaps called an IT Services Manager is the person who should carry out the four steps of service strategy. Executing the four service strategy steps will produce an inherently justified plan articulated in business terms. Engaging with the business helps steer IT and insures that we focus on those systems and applications that can have the most positive contribution to the business.

Many companies then begin by requiring most or all IT staff to take an ITIL Foundations Certification class. This class can be 2 – 3 days in length. Many companies require that the class include a certification test. This training provides a common understanding of the ITIL framework, the value of the service lifecycle approach, how and where IT can add value to the business, and a common language for a more accurate discussion during the implementation.

An ongoing step is to consider is the need for new technology. However, new technology should not be considered until your processes are better defined. It is important to remember that technology is only an enabler and does not improve weak processes. The selection of a tool for software systems should be the last step in a well-executed plan based on ITIL.

Summary

Remember that BSM exists only to guide ITSM. This is a critical point. BSM provides the guidance required to help business and IT executives overcome substantial obstacles. Also remember that BSM is not a product-set but rather a mind-set. BSM is managing IT strategy in order to lead IT operations. As such, BSM has little direct cost, and a significant investment in tools is often not required for success with BSM. However, improvement projects uncovered by BSM techniques often point out the need for training, consulting, improved management controls, software, hardware, etc. In short, the major investment in BSM comes at the end of its process—and will be justified in business terms by that time.

Every organization has important business processes underpinned by IT services, and every IT service has constraints that limit performance relative to goals. In order to manage the performance of the entire system, constraints must be identified and managed correctly. BSM provides a staged and disciplined approach embracing both technical and non-technical aspects of IT service management. BSM is a framework for managing IT like a business, making the establishment of an IT Services Manager role essential. The four-step BSM process is the fundamental mind-set.

Define your IT services. You simply cannot manage a service unless you know of what it is comprised. This is the fundamental and primary first step.

Value your defined IT services. With the service is defined, you must establish the relative value of each service to the business. Focusing on the most important IT services first is the only way to deliver significant and measurable value to the business in a reasonable timeframe.

Measure your IT services. With service defined and valued in order of precedence, you can now measure the quality of service provided to customers. Starting with the most valuable service and working downward, measure the service to see if it meets requirements. If the service does not meet requirements, this is your starting point.

Commission projects for improvement. Having followed the first three steps, we now know exactly what we ought to be focusing on. With this information in hand, one can now examine the ITIL and its complementary guidance in order to understand precisely what is not occurring that results in the service quality issue at hand. You now apply the guidance in the ITIL to this specific problem.

ITSM implementation can be difficult and is often prone to failure. BSM makes it more successful and causes it to occur within the context of what is most important to the business—dramatically improving odds of success. BSM’s true value is the long-term adoption of best practices that have shown a positive return on investment. BSM builds a stronger organization that matches the service provided to the present and future needs of the business and provides that service in the most cost-effective manner. Both of these actions will improve the standing of IT within the business and improve both the competitive advantage and bottom line of the business.

You can obtain significant real value in a relatively short period of time if you follow the four-step BSM model. Do not forget, however, to think and talk about the long term, because the journey is measured in years not in months. The goal of this constant improvement is to provide IT services in a more cost-effective manner and to better match those services to the present and future needs of the business.

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About the Author

Hank Marquis is a founder and Director of the National Association for Business Service Management, NABSM. NABSM represents the international IT community with specialized programs dedicated to BSM and the promotion of successful ITSM initiatives. The NABSM goal is to provide a unified voice, global advocacy and leadership to advance IT management growth through standards of professional competence aligned with business needs. Hank is also a practicing consultant at Universal Solutions Group Inc. You can reach him there at hank.marquis@usgct.com.