

Creating Enterprise IT Services

*Lessons Learned
from Industry*

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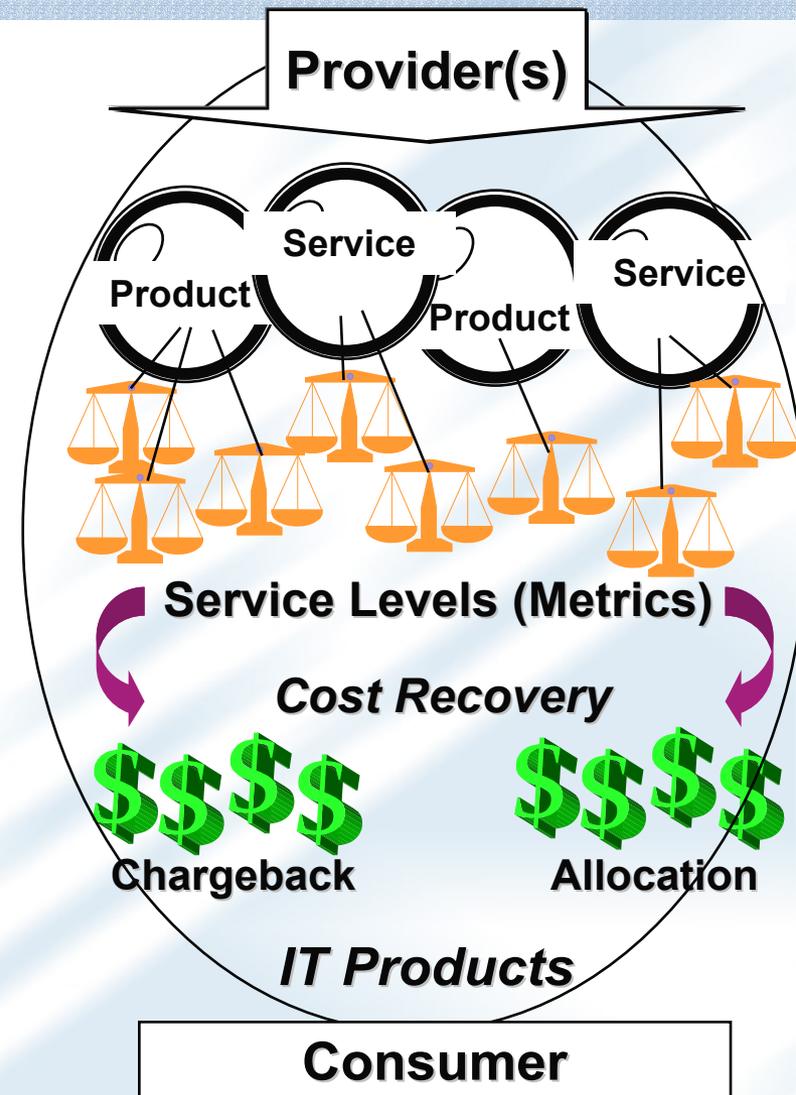
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Why Products?

- ▲ Encapsulates services, deliverables, and price
- ▲ Enables business-side predictability (costs)
- ▲ Enables jobs, roles, and centers of excellence to be mapped to what is produced
- ▲ Enables targeted metrics (i.e., service levels)
- ▲ Enables IT operational “value” to be tied to discrete elements (i.e., products)
- ▲ Enables comparison to “market”



Productizing Operations

“All successful enterprises have a product model”

**Service
Deliverables**

**IT
Customers**

**Business
Skills of IT**

- ▶ Who are the customers?
- ▶ What do your customers value?
- ▶ What is your IT funding model?
- ▶ Do you have documented/expected service-level goals?
- ▶ How can operations prove it delivered on the product promise?

Attack Plan:

- ▶ Identify product consumption constituency
- ▶ Create an IT product model
- ▶ Structure service levels, capturing, and reporting
- ▶ Execute product cost analysis and build a pricing model
- ▶ Institute ongoing product management

Completing the Service Delivery Model

META Group's Product Portfolio

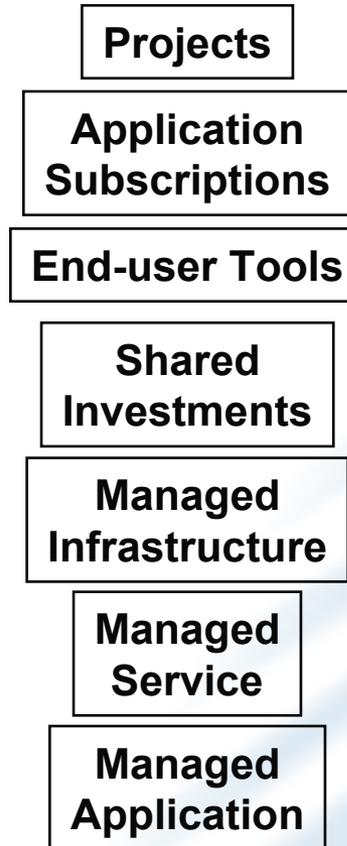
Service Delivery Organization



- Cost Analysis
- SLAs
- Service Definition
- Packaging
- Product Ownership
- Delivery

Stage 1 Portfolio Development

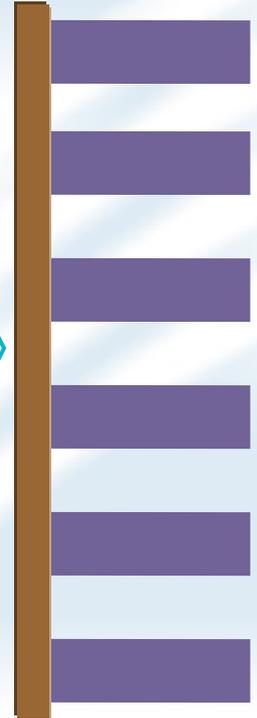
Product Lines



- SLAs
- Service Management
- Account Ownership
- Customer Satisfaction

Stage 2 Product Management

LOB Customers



META Group's Product Portfolio

Product Lines & Examples

Product Line	Product Examples	Product Pricing
Projects	<ul style="list-style-type: none"> ▲ ERP Customization/Deployment ▲ In-House App Development ▲ App Maintenance — Enhancements ▲ Infrastructure Upgrade* 	<ul style="list-style-type: none"> ▲ Priced per Project ▲ One-Time Charge ▲ Fixed Scope/Price ▲ Variable Scope/Price
Application Subscriptions	<ul style="list-style-type: none"> ▲ SAP R/3 Subscription ▲ CRM Subscription ▲ Financial Application Subscription ▲ Portfolio Subscriptions 	<ul style="list-style-type: none"> ▲ Application/Portfolio-Priced ▲ One-Time “Connect” Charge ▲ Monthly Subscription ▲ Usage Chargeback
End-User Tools	<ul style="list-style-type: none"> ▲ Standard Managed Desktop ▲ Remote Managed Desktop ▲ Power Managed Desktop ▲ Telephone Service 	<ul style="list-style-type: none"> ▲ Priced per Seat ▲ Optional “Enhancements” ▲ Monthly Allocation ▲ Service-Level-Priced
Shared Investments	<ul style="list-style-type: none"> ▲ Infrastructure Upgrade ▲ Strategic Planning ▲ Disaster Recovery 	<ul style="list-style-type: none"> ▲ Allocation from Overhead Pool ▲ May Map to Other Products
Managed Infrastructure	<ul style="list-style-type: none"> ▲ Network (LAN/WAN) Components ▲ Unix Server Management ▲ NT Server Management 	<ul style="list-style-type: none"> ▲ Monthly Charge per “Bundle” ▲ Resource Consumption ▲ Direct Pass-Through
Managed Service	<ul style="list-style-type: none"> ▲ Procurement Services ▲ Change Management ▲ Database Administration 	<ul style="list-style-type: none"> ▲ Time and Materials ▲ Graduated Price Matrix ▲ Percentage of External Price
Managed Application	<ul style="list-style-type: none"> ▲ Similar to “Subscription” 	<ul style="list-style-type: none"> ▲ Similar to “Subscription”

All Things Considered

Product/Service Definition

- ▲ Service
- ▲ Description
- ▲ Cost recovery approach
- ▲ Cost elements
- ▲ Service levels
- ▲ Comments
- ▲ Future state
- ▲ Monthly volume
- ▲ Annual cost

● *Product Example 3 – Remote Support*

Remote Site Support:

Description

- Internetworking and WAN connectivity

Cost Recovery

- Common per seat charge for basic backbone connectivity

Cost Elements

- Includes all services relating to internetworking (WAN, connectivity, hubs, routers, labor, monitoring)

Comments

- Service includes cost for basic terminal server access (exact breakout from existing terminal server base TBD) and time/materials

***Product catalogs do not have to be complex
to be valued by the “consumer”***

Chargeback vs. Allocation?

- ▲ There is no “one-size-fits-all” cost recovery method
- ▲ Mixed cost recovery models work best
 - ▶ Some Allocated
 - ▶ Some Chargeback
- ▲ In-year true-ups will always exist
- ▲ Don't use dollars to manage pennies
- ▲ Break-even cost recovery is hardest to achieve!

Assessing Cost Recovery

Typically Allocated

- Managed Services
- Managed Applications
- Managed Infrastructure

? Shared Investments ?
? Managed Applications ?

Typically Charged Back

- Special Projects
- End-User Tools
- Application Licenses
- > 35% wants it

IT will go through multiple cost recovery iterations before getting it “close to right”.

Lessons Learned in IT Products/Service Development

▲ General

- ▶ Don't assign packaging efforts to individual IT groups — use a formalized project/delivery manager approach
- ▶ Phase in new approach (most start with end-user tools like help desk or desktop mgmt)
- ▶ Directly charge whenever possible
- ▶ Understand market pricing if “apples to apples” benchmarking is desired
- ▶ Don't use dollars to manage pennies!

▲ End-user tools

- ▶ Consider behavior being incented
- ▶ Constrain “a la carte” selections (don't create administrative overhead to track and chargeback options)
- ▶ Bundle “enhancements” if demand >35%

Lessons Learned in IT Products/Service Development

- ▶ Application subscriptions
 - ▶ Differentiate end-users (MAJCOM or Base level) on “value received”
 - ▶ E-mail, office apps, and (often) Web servers are part of managed desktops
 - ▶ Singular applications should be mission-critical; cluster rest using portfolio approach (e.g., Financial Mgmt vs. G/L, A/P, A/R)
 - ▶ Mainframe rule of thumb: If it ain't broke . . .; if it is, just repackage — don't reinvent
- ▶ Shared investments
 - ▶ Subsidy programs are best fit
 - ▶ Allocation may decline over time
 - ▶ Don't be purists; use whatever “sells” best

Products/Services - Example

Application Server Services

Application Server Services include all necessary services in order to deliver application server processing. This service includes UNIX Application servers, NT Application servers and Web Hosting Servers (including all associated support servers for the Web environment). This service does not cover infrastructure servers (file, print, domain, mail and other IT related support servers such as Remydy) that are included in the Desktop Services per seat charge.

Standard Application Server Service Levels

The following chart depicts the level of service provided for standard and optional Application Server Services Products. Service levels for premium services will be on a case-by-case basis, based on business unit needs.

Standard Service Levels		
Service Level	Description	Target Metric
Server Availability (UNIX, NT)	Percentage of time available on a 7x24 basis, excluding scheduled down time (hardware/OS availability only).	>98.5%
Problem Resolution – Severity 1	Maximum timeframe for problem resolution	6 hours or less
Problem Resolution – Severity 2	Maximum timeframe for problem resolution	8-24 hours or less
Problem Resolution – Critical or Premium Servers	Maximum timeframe for problem resolution	2 hours or less

Standard Application Server Services The following services are considered Standard Server Services:

- Image Management
- Facilities, floor space and utilities
- Installation and Prep
- Monitoring and Problem Diagnosis
- Performance and Tuning
- OS and system patches and upgrades
- Server Support

Q&A

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