Benchmark yourself with your peers in positioning IT Services

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Dear Reader,

When asked about the major changes IT organisations will face in the near future, some 30% of the European respondents mentioned 'contribution to the business' and an additional 26% mentioned 'organisational reporting'[1]. These figures are an indication of a new type of pressure that the IT function has to deal with: they are increasingly requested to become a business function in every respect, not a mere support function.

For this to happen requires different behavior from the IT teams. They need to present their organization - and the added value it brings - in a different way to the other functions within the company, and increasingly 'sell' and 'market' their services internally. They need to keep track of their results and their impact in ways that go beyond classical SLA-type metrics. In the same breath they need to attract and grow 'business minded' IT people that partner with their customers and take full accountability of the services they deliver to the business.

While it is apparent that IT functions are moving in this direction, many of them are not there yet. The survey contained in this report provides a picture of the progress made. For one thing, the results show that many of the practices described above have not yet been widely adopted.

We intend to survey the IT community regularly on issues related to IT service maturity as it helps us understand how IT functions are with regard to demand for more business orientation and value added business services.

We wish you an insightful read,

Frederic De Meyer
Head of Research
CIONET International

Stijn Viaene
Professor
Vlerick Business School
& KU Leuven

Stijn Schrijvers
Unit Manager
SD Works

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1. *Figures from the 2015 IT Management Trend report by CIONET*

1. Introduction

The research for this report was carried out as part of an MBA thesis at Vlerick Business School by Stijn Schrijvers, one of the SD Worx Belgium IT unit managers. Its goal was to study best practices related to modern IT services provision.

SD Worx is a Belgium based HR Services provider, founded just after the Second World War, employing around 2,000 people with subsidiaries in the Netherlands, Germany, Luxembourg and France. SD Worx serves 54,000 clients and calculates over 1.3 million pay slips per month, reaching 28 European countries. Besides payroll services, SD Worx also provides other services including HR consulting, learning, outsourcing and technology. The IT function of SD Worx aims at being a forerunner in value-adding service-oriented thinking and operations.

2. Executive Summary

For far too long IT functions have been regarded as stand-alone corporate units, a cost of doing business. This is changing. Information technology is being incorporated into every business function. The expectation from the IT function is to help these business functions make their IT investments into enablers of their business strategies. Our research indicates that almost 100% of the surveyed organizations apply IT service concepts and 79% also refer to the organization as such. A good start for sure. But does it help to bring them closer to their business partners?

There are two key questions:

> **How do IT leaders position their IT services?**
> **How do they maximize the value of IT services?**

The time when the IT function dictated what was available and their business counterparts had no choice but to accommodate, is gone. The value of IT is now achieved through a dialogue between partners aimed at creating a true customer experience.

IT leaders are increasingly looking at IT services as separate units of value analysis. Hence, they need to manage much more than the technological aspects of services. The following aspects need at least as much consideration:
- The business case of a service
- The value the service brings to its customers (or customer segments)
- The optimal – convenient, accessible – way to structure the service delivery process
- The total cost of delivering the service
- The way to continuously improve the service over time
- The service performance reporting towards customers and other stakeholders
- The governance model to most efficiently engage with customers and other stakeholders
- The alignment of the IT strategy and organization with the service operating model

The IT function needs to be organized in ways that promote valuable IT service delivery. If not, it risks getting caught up in conflicts over priorities and resources. Some 63% of the survey respondents would consider an organizational change in the future to better align the IT

organization with the services offered. Most important to any such effort will be the role of the service owner, who takes responsibility – and receives the authority and the means – to make a service successful. Supported by a team of service engineers, owners can make sure the IT function aligns around productive service provision. Our study reveals that only in about one third of the cases do service owners hold end-responsibility for their services' budget. We believe that this number will significantly rise in the future, as more and more IT functions evolve towards a customer-centric IT service model.

Service owners are expected to be masters of engagement that are fully committed to providing an excellent service experience. They uphold a trusted relationship with their customers based on respect, dialogue and reciprocity. They seek customer contact in pro-active ways and use every engagement as a natural opportunity to seek additional customer value. This kind of 'value co-creation' obviously requires the customer-centric mindset as well as strong interpersonal skills.

Finally, the survey confirms the use of ITIL and COBIT as IT management frameworks. Over 80% of the respondents report using ITIL as an IT service governance framework, whereas some 20% refer to the use of COBIT.

Governance will remain essential to creating a successful IT services organization as it allows to clarify expectations among stakeholders, create focus and balance in the allocation of resources, and allows for transparency in service performance management. We believe the dominant frameworks of today are not yet fully able to embrace a more modern customer-centric IT service operating model. Despite their process-oriented logic, current standards still invite an inside-out rather an outside-in approach to service delivery.

We invite IT leaders to rethink their IT organization and IT service operating model with the aim of co-creating value-adding and relevant customer services with their business customers. A cost-based, inside-out organizing logic is no longer enough. Set up for a true continuous improvement dialogue that puts customer experience at the center.

3. Survey Results

Demographics

The survey was conducted during the course of February-April 2015.
90 IT Executives participated in the survey. 90% of the respondents work at a company with over 250 employees, two thirds of these companies employ over 1,000 employees.

The respondents are spread over a large number of industries, including among others Finance (19%), Public Sector (11%), Health Care (9%) and Services (8%).

- ◆ < 250 employees
- ◆ 250 - 1,000 employees
- ◆ > 1,000 employees

Respondents

19%   11%   9%

8%

Finance

Public Sector

Health Care
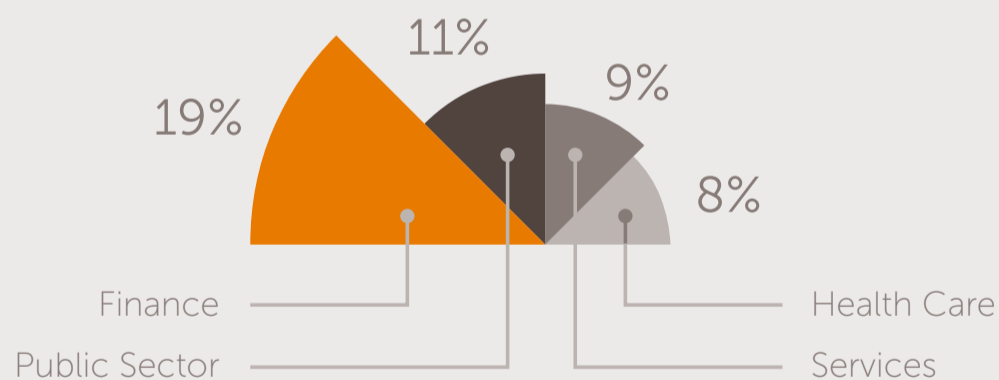
Services

IT service notion

We asked the respondents to state their preference for a number of IT service definitions, including the ones used by a number of standards (e.g. ITIL). Some 61% of the respondents selected the following definition as their preferred one:

An IT Service delivers a product or service to an (internal) customer in a transparent way and at an agreed quality, against a competitive and fair price, thereby enabling value for and taking away the risk from the customer whilst meeting customer demand.

Follow-up questions aimed at characterizing the commitment to service orientation at the responding organizations.

Almost all IT organizations surveyed report offering services towards internal customers. Also, a large majority (85%) says it translates strategic priorities at company level into priorities for the different services. The notion of service responsible – or service owner – is a concept that seems to be adopted by a large majority of organization (61%). Interestingly, at most organizations the role of service owner is not a dedicated function within the organization but rather a role combined with another function.

Does IT offer services/products towards the (internal) customer?
1% | 99%

Do you name the IT organization as such?
21% | 79%

Does every service have a specific person assigned to be the overall responsible for the service?
39% | 61%

Does the service owner have a specific function within the organization (YES) or is the role combined with another function (NO)?
78% | 22%

Do you have a dedicated team for every service offered?
64% | 36%

Would you consider an organisational change in the future to be organised along the services offered?
36% | 64%

Are strategic priorities at company level being translated into priorities for the different services?
15% | 85%

yes
no

Charging for IT services

Though investments in IT services at a large majority of the surveyed companies are being decided with customers (80%), only a minority reports charging the customers back for their use of these services (44%). Even fewer companies benchmark the price of their services (24%), or have IT service owners that are responsible for their service budgets (32%).

The five most frequently occurring response patterns, each of them representing at least 10% of the survey respondents, were the following:

The survey showed a difference in the practice of charging back for internal IT services dependent on company size. Chargebacks were applied at 50% of large companies (i.e. over 1,000 employees), while only 34% of the smaller companies applied chargeback.
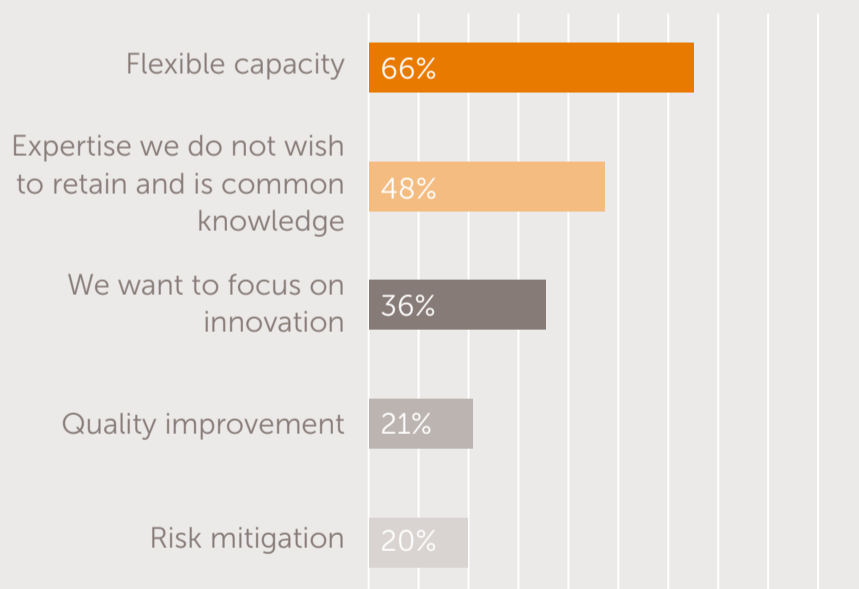
Is there a charge-back for the services offered?	Are chargeback prices being benchmarked?	Is the service owner fully responsible for his/her budget?	Are investments ruled with the customer?	
NO	NO	NO	YES	28%
YES	NO	NO	YES	13%
NO	NO	NO	NO	12%
NO	NO	YES	YES	11%
YES	YES	YES	YES	11%

Is there a charge-back for the services offered?	Are chargeback prices being benchmarked?	Is the service owner fully responsible for his/her budget?	Are investments ruled with the customer?	
44%	24%	32%	80%	YES
56%	76%	68%	20%	NO

Outsourcing IT services

86% of the respondents are already outsourcing parts of their IT services. The majority amongst them would consider increasing the level of out-sourcing in the future. Almost all of the respondents that do not yet adopt outsourcing today would consider doing so in the future.

Asked for the reasons for outsourcing IT services, most of the respondents refer to flexibility in capacity (66%). A significant number of organizations also believes in using the market for sourcing what is deemed common knowledge (48%). Some 36% also be-lieve outsourcing will help them focus on innovation.
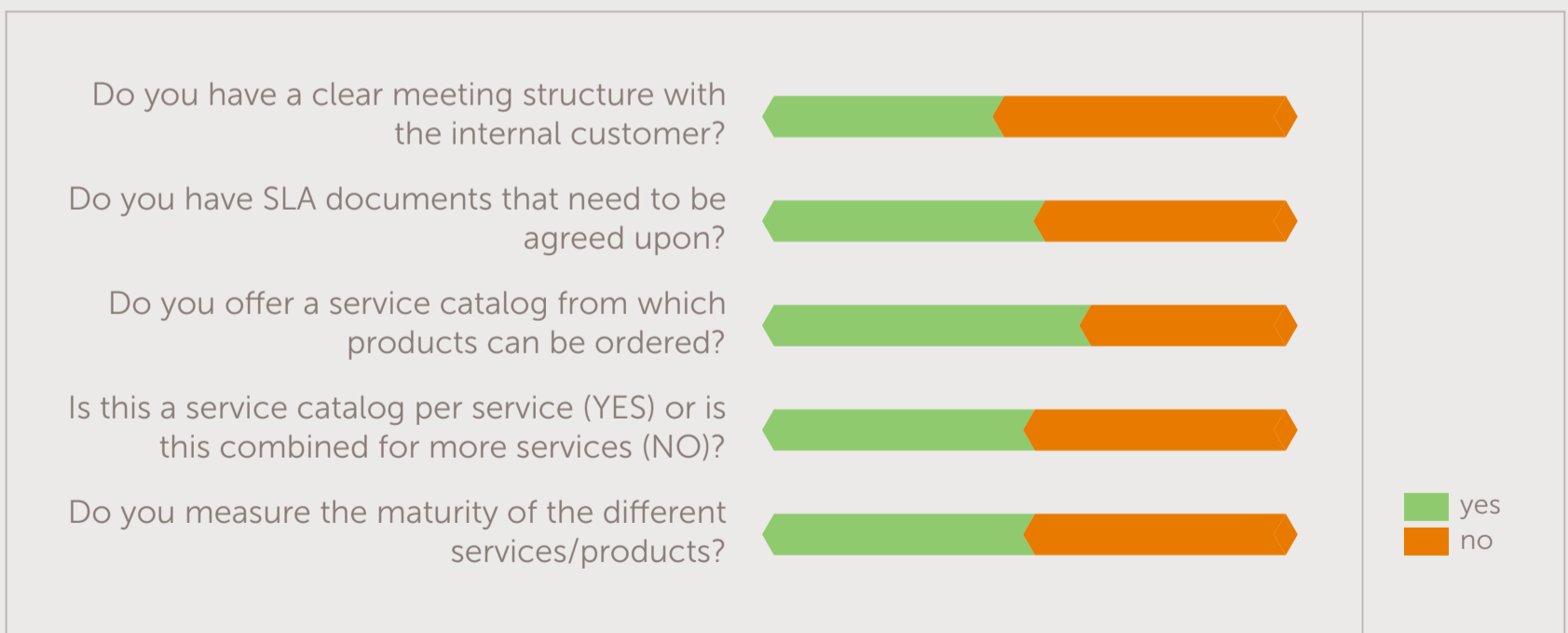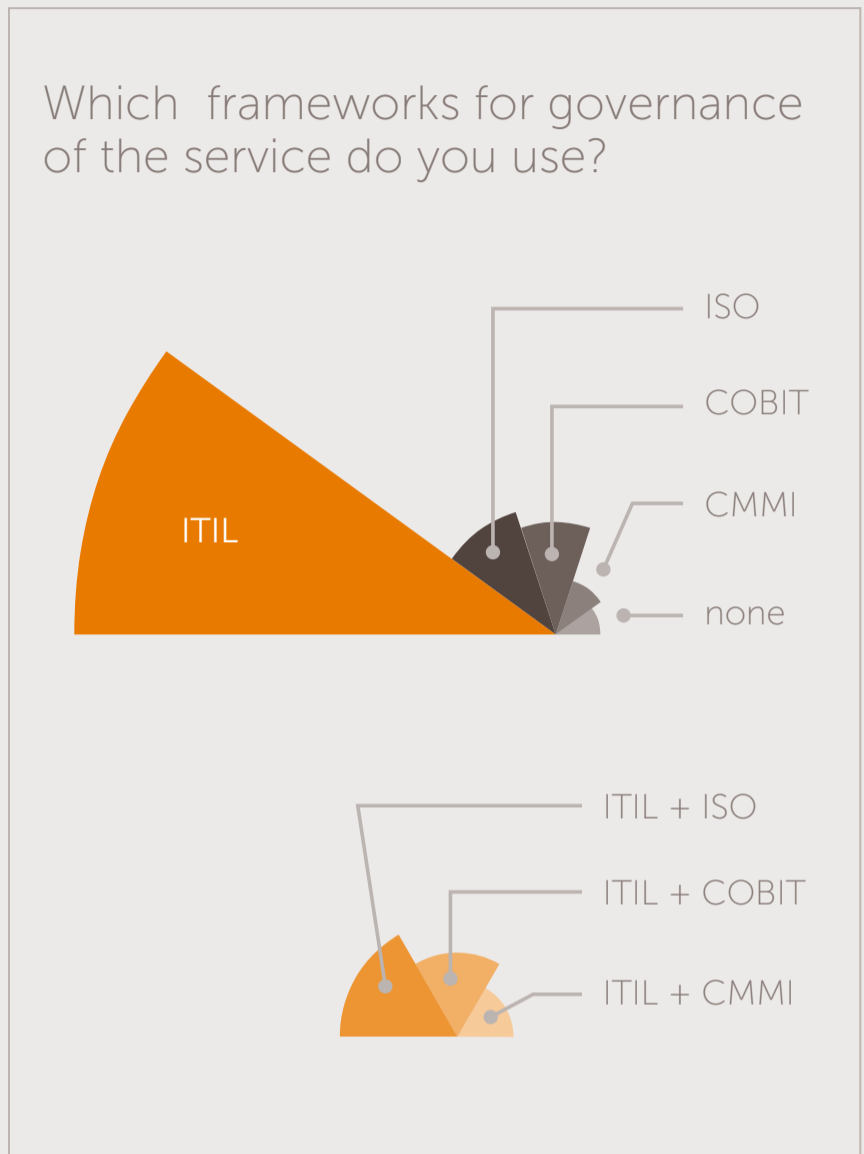
What would be reasons to outsource (part of) your service/product? (% responses)

Reason	%
Flexible capacity	66%
Expertise we do not wish to retain and is common knowledge	48%
We want to focus on innovation	36%
Quality improvement	21%
Risk mitigation	20%

Governance frameworks

Over 80% of the surveyed organizations use ITIL as an IT service governance framework. ISO and COBIT are adopted by approximately 20% of respondents, most often in combination with ITIL:

62% of the respondents claim to have a clear IT service meeting structure to engage with internal customers. Some 50% of the respondents make use of SLAs. About the same number work with a service catalog. Some 25% offer service catalogs per service (25%). Somewhat fewer than 25% measure the maturity of the different services.

Which frameworks for governance of the service do you use?

ISO
COBIT
CMMI
ITIL
none

ITIL + ISO
ITIL + COBIT
ITIL + CMMI

Do you have a clear meeting structure with the internal customer?

Do you have SLA documents that need to be agreed upon?

Do you offer a service catalog from which products can be ordered?

Is this a service catalog per service (YES) or is this combined for more services (NO)?

Do you measure the maturity of the different services/products?

yes
no

KPI reporting

77% of the surveyed IT leaders report the use of performance dashboards as a means of communicating about IT service performance with customers and other stakeholders. Half of them, however, do not disclose this information except during formal IT service discussion moments.

Interestingly, a majority of respondents (77%) claim they do not just track reactive performance, i.e. performance related to supporting or solving issues, but also capture performance related to proactive IT service improvement.

In 47% of the cases C-level management was said to be exposed to service dashboard information on a regular basis. 39% would only escalate such information in a case where an issue could not be resolved at the operational level. 14% of the IT leaders said C-level management was not interested in such information. Large organizations tend to offer more exposure than smaller companies.

Use of IT service performance dashboards in communication with customer/stakeholders?

22%

39%

38%
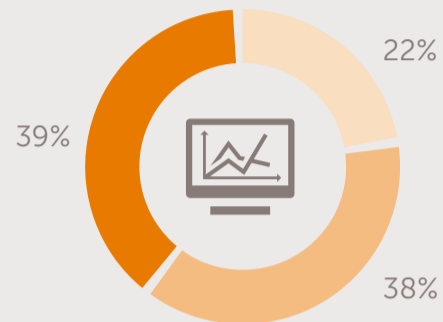
◆ No

◆ Yes, dashboards are used during formal discussion moments with the business, but are not disclosed beyond this context.

◆ Yes, dashboards can be consulted at any time by the business.

Are service performance dashboards exposed to C-level management?

13%

47%

39%

> 1000 employees

< 1000 employees
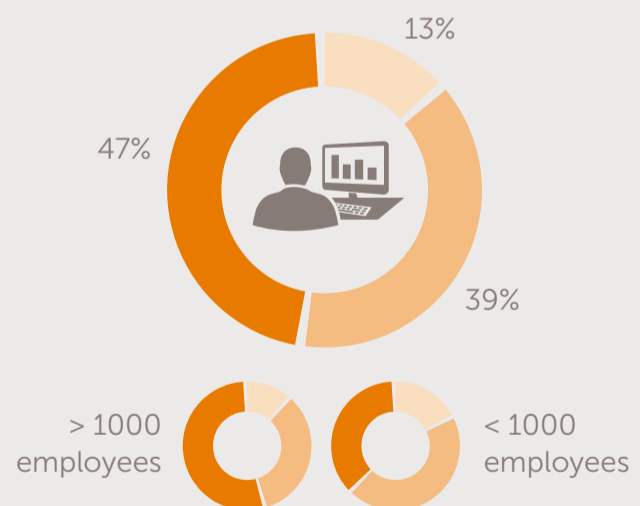
◆ No, C-level management is not interested in these KPIs.

◆ Yes, but only in cases of issue escalation.

◆ Yes, C-level management receives this information on a regular basis.

About CIONET

We are CIONET, the biggest community of IT executives in Europe. Bringing together over 5000 CIOs, CTO's and IT directors from wide ranging sectors, cultures, academic backgrounds and generations, CIONET's membership represents an impressive body of expertise in IT management. CIONET's mission is to feed and develop that expertise by providing top-level IT executives with the resources they need to realise their full potential.

CIONET develops, manages and moderates an integrated array of tools and programs from the online CIONET platform – the world's first social network for CIOs – to a range of offline networking events, conferences, workshops and executive education programmes all tailored to top-level management. CIONET also provides exclusive access to the latest research through regular online and offline publications and a number of value adding partnerships with key players from the academic and corporate worlds.

Faced with the rapidly changing role of today's IT executive, CIONET not only helps its members keep up with the pace of change but empowers them to take an active role in shaping the future of their field, always challenging them with "What's next."

About SD Worx

SD Worx specialises in human resources management providing a full-service offer to its clients: Payroll, HR and Tax & Legal advice. Over 65 years of experience with regard to wage calculation and HR policy have made SD Worx the ideal partner for European and multinational businesses in their endeavour to implement a results-oriented HR policy.

About Vlerick

Vlerick is a leading international business school... with a difference. Yes, we offer fully-accredited, world-class education programmes combining a healthy mix of theoretical knowledge and practical insight. Yes, we are a leading academic institution with a strong tradition of innovative and independent research. Yes, we boast internationally recognised, expert faculty with close ties to the corporate world. And yes, we are consistently ranked amongst the top business schools in Europe and the world.

However, what truly sets Vlerick apart is not just what we do but the spirit in which we do it. The Vlerick spirit is defined by openness, vitality and a passion for innovation and enterprise. It is a spirit that can be found in every aspect of our school and its activities: from our enthusiastic, highly motivated staff to our innovative and pragmatic teaching methods; from our global network of students, alumni and corporate partners to our inspiring, vibrant campuses.

It is all these elements together that have made Vlerick Business School the leading institution it is today: a place where people and organisations come together to shape the future of global business.