Session 3 - Key Concepts and the Service Value Chain

- Session kickoff
- Agenda
  - Introduction and course background
  - Recap key points from session 2
  - Key Concepts of Service Management
  - Session 2 takeaway exercise
  - The Service Value Chain
  - Takeaway exercise
- Logistics for the meeting
  - Stay on mute if not speaking
  - Use chat for questions
  - I'll have times to stop to answer questions
  - I'll keep this as interactive and engaging as possible
  - I will follow up with any questions I can't get to during session
- Introduction
  - Instructor: Cyrus A. Howells
  - Senior Process Engineer
  - Been with DLC since November 2016
- itSMF Utilities COI
  - We provide a forum to discuss, development, and adopt IT Service Management (ITSM) principles and best practices in support of utility organizations.
  - We are not limited to but generally include companies who generate, distribute or resell; electricity, gas, water, sewer and telecommunications services.
- itSMF USA
  - We are a volunteer-led, vendor-neutral community dedicated to the promotion, adoption, and advancement of service management best practices and standards that help your organization run more effectively and efficiently to deliver bottom-line results.
- Recap
  - What is the purpose of the course?
    - Develop common terminology and understanding as it comes to ITIL and IT Service Management
    - Improve individual service management skills
    - Improve department service management capability
    - Improve customer service management experience
    - Improve understanding of the IT role, not just the IT Organization (what I do as opposed to where I sit in the organization)
  - What is the objective(s) of the series?
    - Understand what ITIL is (and isn't)
    - Where do I and what I do fit in
    - Understand how the ITIL framework can help
    - Provide a reference for future needs - A detailed document will be provided to participants for each session
    - Provide information to help you find a path forward
From Session 2

- ITIL Service Value System Core components
  - The ITIL SVS represents how the various components and activities of the organization work together to facilitate value creation through IT-enabled services.
    - ITIL service value chain - the focus of today's session
    - ITIL practices (session 4)
    - Governance (session 6)
    - ITIL guiding principles (session 5)
    - Continual improvement and the continual improvement model (session 6)
      - What is the vision?
      - Where are we now?
      - Where do we want to be?
      - How do we get there?
      - Take action
      - Did we get there?
      - How do we keep the momentum going?
- Four Dimensions of Service Management
  - Organizations and people
    - Definition - **Organization** - A person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives.
  - Information and technology
  - Partners and suppliers
    - Remember: This isn't just with other companies. This can be a service partnerships within internal organizations
      - Example: HR and IT partner together to on-board new employees
  - Value streams and processes - We'll touch on this today as we talk about the Service Value Chain
    - The key message is where there is a new or an existing service, there are four dimensions, and relationships between them must be addressed in balance
    - Failing to address all four dimensions properly may result in services becoming undeliverable, or not meeting expectations of quality or efficiency
    - For example, failing to consider the value streams and processes dimension holistically can lead to wasteful work, duplication of efforts, or worse, work that conflicts with what is being done elsewhere in the organization.
    - Equally, ignoring the partners and suppliers dimension could mean that outsourced services are misaligned with the needs of the organization.
    - The four dimensions do not have sharp boundaries and may overlap. They will sometimes interact in unpredictable ways, depending on the level of complexity and uncertainty in which an organization operates.
- ITIL 4 Framework
  - Four Dimensions of Service Management
  - ITIL Service Value System - Summary
    - ITIL service value chain
ITIL 4 - Session 3: Session 3 - Key Concepts and the SVC

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- ITIL practices
- Governance
- ITIL guiding principles
- Continual improvement

○ Key Concepts of Service Management
  - Value (for)
  - Stakeholders (by way of)
  - Products and services (using)
  - Service relationships (while keeping in mind)
  - Outcomes, costs, and risks

○ Value and value co-creation
  - Service Management Definition (session 1)
    - A set of specialized organizational capabilities for enabling value for customers in the form of services
  - Value
    - The perceived benefits, usefulness, and importance of something
    - Value is subject to the perception of the stakeholders, whether they be the customers or consumers of a service, or part of the service provider organization(s). Value can be subjective.
  - Value co-creation
    - Value isn't one directional
    - Consumer of service / products receives value
    - Provider receives value in return

○ Stakeholders - Value (for) Stakeholders
  In service management there are many different kinds of stakeholder, each of which must be understood in the context of the creation of value in the form of services.
  - Organization Definition (session 2)
    - A person or a group of people that has its own functions with responsibilities, authorities, and relationships to achieve its objectives.
  - Service provider - When provisioning services, an organization takes on the role of the service provider. The provider can be external to the consumer’s organization, or they can both be part of the same organization.
  - Service consumer
    - Customer - A person who defines the requirements for a service and takes responsibility for the outcomes of service consumption.
    - User - A person who uses services.
    - Sponsor - A person who authorizes budget for service consumption.
  - Other stakeholders
    - Service Provider Employees
    - Society and community
    - Charity organizations
    - Shareholders

○ Products and services - Value (for) Stakeholders (by way of) Products and services
The services that an organization provides are based on one or more of its products.

Organizations own or have access to a variety of resources, including people, information and technology, value streams and processes, and suppliers and partners.

Products are configurations of these resources, created by the organization, that will potentially be valuable for its customers.

Products are typically complex and are not fully visible to the consumer. The portion of a product that the consumer actually sees does not always represent all of the components that comprise the product and support its delivery.

Organizations define which product components their consumers see, and tailor them to suit their target consumer groups.

Example:
- Service: Workstation Management
  - Products:
    - Workstation Imaging - not visible
    - Workstation deployment - visible
    - Desktop Computer - end product is visible but no what leads up to it
    - Laptop Computer - end product is visible but no what leads up to it
    - Computer decommissioning - not visible
    - Support - visible but not to the enterprise
    - Software deployment - depends
    - Patch management - not visible (hopefully)

Service relationships - Value (for) Stakeholders (by way of) Products and services (using) Service relationships

Definition: Service Relationship: A cooperation between a service provider and service consumer. Service relationships include service provision, service consumption, and service relationship management.

Service Relationship Model
- Service Provision (Service Provider)
  - management of the provider’s resources, configured to deliver the service
  - ensuring access to these resources for users
  - fulfilment of the agreed service actions
  - service level management and continual improvement.
- Service Consumption (Service Consumer)
  - management of the consumer’s resources needed to use the service
  - service actions performed by users, including utilizing the provider’s resources, and requesting service actions to be fulfilled.
- Service Relationship Management (point between each provider / consumer relationship)
  - Joint activities performed by a service provider and a service consumer to ensure continual value co-creation based on agreed and available service offerings.
Outcomes, costs, and risks - Value (for) Stakeholders (by way of) Products and services (using) Service relationships (while keeping in mind) Outcomes, costs, and risks

- **Outcomes**
  - It is important to be clear about the difference between outputs and outcomes.
  - Output - A tangible or intangible deliverable of an activity.
  - Outcome - A result for a stakeholder enabled by one or more outputs.
  - Example: one output of a workstation service may be a rugged computer to use in the field. The outcome of the service, however, is an efficient toolset to allow more work to be completed in a consistent and documented manner, saving time over previous manual efforts, and more reliable service for the customers.

- **Costs**
  - Definition: From the service consumer’s perspective, there are two types of cost involved in service relationships:
    - costs removed from the consumer by the service (a part of the value proposition). This may include costs of staff, technology, and other resources, which the consumer does not need to provide costs imposed on the consumer by the service (the costs of service consumption).
    - The total cost of consuming a service includes the price charged by the service provider (if applicable), plus other costs such as staff training, costs of network utilization, procurement, etc. Some consumers describe this as what they have to ‘invest’ to consume the service.

- **Risk**
  - Definition: A possible event that could cause harm or loss, or make it more difficult to achieve objectives. Can also be defined as uncertainty of outcome, and can be used in the context of measuring the probability of positive outcomes as well as negative outcomes.
  - As with costs, there are two types of risk that are of concern to service consumers:
    - risks removed from a consumer by the service (part of the value proposition). These may include failure of the consumer’s server hardware or lack of staff availability. In some cases, a service may only reduce a consumer’s risks, but the consumer may determine that this reduction is sufficient to support the value proposition
    - risks imposed on a consumer by the service (risks of service consumption). An example of this would be a service provider ceasing to trade, or experiencing a security breach.

- **Takeaway: Where do I / what I do fit in?**
  - Organizations you are part of at DLC (person, team, function, department, etc.) and a value provided by each
    - Examples of value provided:
Operations support brings Operations to life. We coordinate and prepare the system to handle the world around us.

- Implement and update process automation. *(Guiding principle # 7 - Optimize and Automate)*
- Streamline process, ensure functionality, actionable insights *(Guiding principle # 7 - Optimize and Automate)*
- Financial Forecasting (to assist Electric Service to customers), Internal Reporting to assist managers in providing IT services
- Assist with understanding all the asset and financial processes, like how to create a PR, receipt a PO and currently transitioning contractors

- These examples underscore the value points we provide and/or are part of.

**The Service Value Chain**

- The ITIL service value chain (session 3) - A service value chain, the central element of the service value system (SVS), is an operating model that outlines the key activities required to respond to demand and facilitate value realization through the creation and management of products and services

**Value Chain Activities**

- **Plan** - The plan value chain activity ensures a shared understanding of the vision, status, and improvement direction for all four dimensions and all products and services across an organization
- **Improve** - The improve value chain activity ensures continual improvement of products, services, and practices across all value chain activities and the four dimensions of service management
- **Engage** - The engage value chain activity provides a good understanding of stakeholder needs, transparency, and continual engagement and good relationships with all stakeholders
- **Design and Transition** - The design and transition value chain activity ensures products and services continually meet stakeholder expectations related to quality, costs, and time to market
- **Obtain or build** - The obtain or build value chain activity ensures service components are available when and where they are needed and meet agreed specifications
- **Deliver and support** - The deliver and support value chain activity ensures services are delivered and supported according to agreed specifications and stakeholders’ expectations

- **The Story - See Slide deck**
- **Plan** - wrap around other activities

  The key inputs to this activity are:
  
  - policies, requirements, and constraints provided by the organization’s governing body
  - consolidated demands and opportunities provided by engage
  - value chain performance information, improvement status reports, and improvement initiatives from improve
• knowledge and information about new and changed products and services from design and transition, and obtain/build
• knowledge and information about third-party service components from engage.

The key outputs of this activity are:
• strategic, tactical, and operational plans
• portfolio decisions for design and transition
• architectures and policies for design and transition
• improvement opportunities for improve
• a product and service portfolio for engage
• contract and agreement requirements for engage.

• Improve - wrap around other activities
   The key inputs to this value chain activity are:
   • product and service performance information provided by deliver and support
   • stakeholders’ feedback provided by engage
   • performance information and improvement opportunities provided by all value chain activities
   • knowledge and information about new and changed products and services from design and transition,
   and obtain/build
   • knowledge and information about third-party service components from engage.

The key outputs of this activity are:
• improvement initiatives for all value chain activities
• value chain performance information for plan and the governing body
• improvement status reports for all value chain activities
• contract and agreement requirements for engage
• service performance information for design and transition.

• Engage
   The key inputs to this value chain activity are:
   • a product and service portfolio provided by plan
   • high-level demand for services and products provided by internal and external customers
   • detailed requirements for services and products provided by customers
   • requests and feedback from customers
   • incidents, service requests, and feedback from users
   • information on the completion of user support tasks from deliver and support
   • marketing opportunities from current and potential customers and users
   • cooperation opportunities and feedback provided by partners and suppliers
   • contract and agreement requirements from all value chain activities
• knowledge and information about new and changed products and services from design and transition,
• and obtain/build
• knowledge and information about third-party service components from suppliers and partners
• product and service performance information from deliver and support
• improvement initiatives from improve
• improvement status reports from improve.

The key outputs of this value chain activity are:
• consolidated demands and opportunities for plan
• product and service requirements for design and transition
• user support tasks for deliver and support
• improvement opportunities and stakeholders’ feedback for improve
• change or project initiation requests for obtain/build
• contracts and agreements with external and internal suppliers and partners for design and transition,
• and obtain/build
• knowledge and information about third-party service components for all value chain activities
• service performance reports for customers.

• Design and Transition

The key inputs to this activity are:
• portfolio decisions provided by plan
• architectures and policies provided by plan
• product and service requirements provided by engage
• improvement initiatives provided by improve
• improvement status reports from improve
• service performance information provided by deliver and support, and improve
• service components from obtain/build
• knowledge and information about third-party service components from engage
• knowledge and information about new and changed products and services from obtain/build
• contracts and agreements with external and internal suppliers and partners provided by engage.

The key outputs of this activity are:
• requirements and specifications for obtain/build
• contract and agreement requirements for engage
• new and changed products and services for deliver and support
• knowledge and information about new and changed products and services to all value chain activities
• performance information and improvement opportunities for improve.

• Obtain or build
ITIL 4 - Session 3: Session 3 - Key Concepts and the SVC

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The key inputs to this activity are:
- architectures and policies provided by plan
- contracts and agreements with external and internal suppliers and partners provided by engage
- goods and services provided by external and internal suppliers and partners
- requirements and specifications provided by design and transition
- improvement initiatives provided by improve
- improvement status reports from improve
- change or project initiation requests provided by engage
- change requests provided by deliver and support
- knowledge and information about new and changed products and services from design and transition
- knowledge and information about third-party service components from engage.

The key outputs of this activity are:
- service components for deliver and support
- service components for design and transition
- knowledge and information about new and changed service components to all value chain activities
- contract and agreement requirements for engage
- performance information and improvement opportunities for improve.

Deliver and support
The key inputs to this activity are:
- new and changed products and services provided by design and transition
- service components provided by obtain/build
- improvement initiatives provided by improve
- improvement status reports from improve
- user support tasks provided by engage
- knowledge and information about new and changed service components and services from design and transition, and obtain/build
- knowledge and information about third-party service components from engage.

The key outputs of this activity are:
- services delivered to customers and users
- information on the completion of user support tasks for engage
- product and service performance information for engage and improve
- improvement opportunities for improve
- contract and agreement requirements for engage
- change requests for obtain/build
- service performance information for design and transition.

Value Stream and Processes
From Session 2: Value streams and their processes lay overtop of the service value system

- Key aspects
  - Are the information and knowledge activities, workflows, controls, and procedures needed to achieve objectives defined?
  - How do the various parts of an organization work in an integrated, coordinated way?
  - How does an organization ensure it is enabling value creation for all stakeholders?
    - Example: IT and a business unit are both stakeholders. The business unit receives value by way of the products and services, IT receives value by way of funding, etc.

- ITIL Service Value Chain
  - Value stream - steps used to create and deliver products and services to a service consumer
  - Process - interrelated or interacting activities the transforms inputs into outputs
    - Note: There can be one or more processes as part of a value stream

- Tie it together
  - Value Stream Optimization
    - To Improve Productivity
      - Analyze the current state
      - Identify workflow barriers
      - Remove waste
    - Using the continual improvement model
    - Following the guiding principles
    - Remember the value stream isn't only the top layer, but can be broken down
    - Results in improved value to customer

- Takeaway
  - Instructions
    - If you're willing to participate, or you can do this on your own
    - You'll receive this by email or you can send directly to me at chowells@duqlight.com
    - Doesn't have to be perfect
    - Don't spend more than 15 minutes
    - Don't provide sensitive or restricted information
    - Return to me by November 13th
  - Takeaway: Where do I / what I do fit in?
    - What SVC activity do you spend most of your time?
      - Plan
      - Improve
      - Engage
      - Design and Transition
      - Obtain or build
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- Deliver and support
  - Challenge question (no response needed): Is there an activity you’re involved with which could be optimized to increase the value from the activity?
  - Next step: Session 4: ITIL Practices - November 18th - 3:00 PM