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IT Service Management in the UK – Applying Best Practices

Survey of over 600 companies on experiences of service improvement programmes and use of ITIL®.

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Executive Summary

The objective of this project was to provide *it*SMF UK members with market research information on the application of best practices in IT Service Management in the UK. The primary data source was a Web-based questionnaire, and we were delighted that over half our member organisations participated in the survey. Forrester has also included information from other surveys, making this a most comprehensive review of the current market.

Use of ITIL was obviously greater amongst *it*SMF UK members than the Forrester sample. But even in our sample, over half of the remainder expected to adopt ITIL over the next two years. It was also most encouraging that two-thirds of respondents are certified, working towards, or considering ISO/IEC 20000 certification. Forrester anticipates an increased interest in compliance as vendors and service providers leverage the general compliance trend in their marketing materials in response to external client demand.

Service improvement programmes were also widespread among respondents; more than three-quarters already had one in place. Many different methodologies support service improvement; 87% of respondents do use ITIL, but also named others. Forrester anticipates that more and more IT organisations will have to deal with business-driven methodologies in addition to an IT process-based one.

There were some interesting variations by market sector. Companies in the IT services sector have been examining Service Management initiatives much longer than in other sectors. However, the public sector is at a much earlier stage of adoption in progressing with Service Management.

The question on the main drivers for service improvement also produced some interesting results. Quality of service/user satisfaction was way out front, debunking the myth of tracking ROI on IT investments. This result was reinforced by the question on benefits, as detailed in Figure 12.

We hope that all these results will be of use to members in reviewing their position on the Service road map. The conclusion is that members should consider ITIL as an agent for change. Executives will want business justification for further service improvement; the results on main drivers and benefits, which illustrate the experience of others, should be helpful to members in developing a business case.

This study was commissioned by *it*SMF UK and delivered by the Forrester Consulting Group. *it*SMF UK reviewed and provided feedback to Forrester, and wrote the executive summary. Forrester maintained editorial control over the study and its findings and did not accept changes that contradicted Forrester's findings or obscured the meaning of the study.

Introduction

Purpose Of The Survey

Forrester Research has written extensively on the subject of IT Service Management and is seen as a global leader in this field. Forrester provides advice and guidance to vendors, customers, and internal service providers. *it*SMF UK asked Forrester to conduct research on IT Service Management within its membership in the UK.

The key aspects of the survey are as follows:

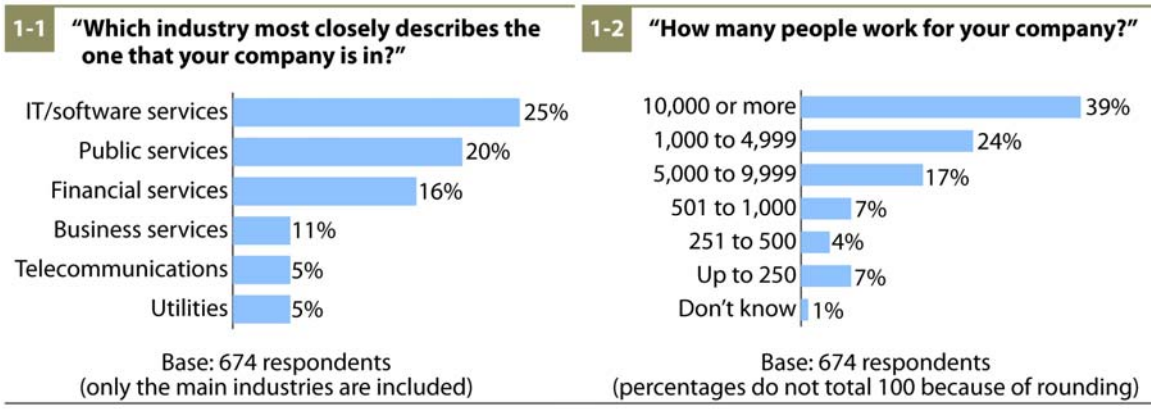
- The overall awareness and extent of use of best practices
- Drivers for IT Service Management
- Whether BS 15000 / ISO/IEC 20000 is a goal
- Which disciplines are in place, planned, and baselined for measuring success
- Benefits achieved by organisations in use of best practices: Cost savings and quality improvement
- Whether ITIL is used as a foundation for IT governance

The *it*SMF is a not-for-profit organisation that provides services based around IT Service Management. *it*SMF UK's members include vendors, customers of such services, and internal service providers. Members are typically individuals or companies who are participating in service improvement programmes, and the organisation provides advice to and standards for the IT Infrastructure Library (ITIL).

Respondents Were Filtered To Reflect The itSMF UK Membership

Forrester worked with the *it*SMF UK to ensure that we included a representative sample of responses in this report, reflecting industry coverage and the size of the organisations that make up the *it*SMF UK's membership (see Figure 1). Forrester supplemented the data collected here with information from its own survey tools to ensure that this report reflected what was happening with best practices among organisations representing the UK as a whole.

Figure 1. Respondent Demographics



The business titles of the respondents were also representative of the membership group; just over 50% were managers who are directly responsible for Service Management or responsible for specific processes or management disciplines.[1]

Service Improvement Programmes

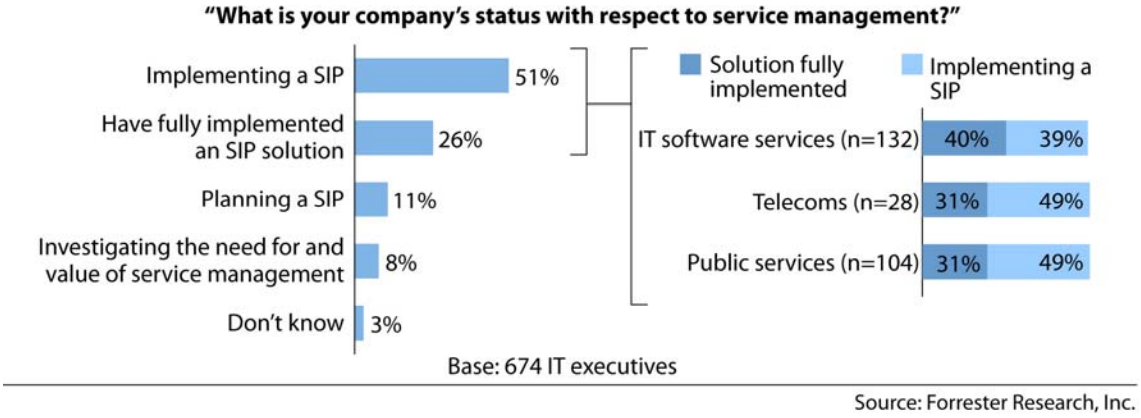
Process methodologies have achieved broad acceptance in many areas of business, driven far beyond historical levels by competition and customer demands for quality and performance. Companies have been turning to documented process improvement best practices to define, measure, and improve the flow of business activities. This, in turn, helps to create consistent, reproducible, and auditable business and/or IT activities. Standard process methodologies have also emerged within IT departments during the past years — often through pressure on CIOs from their peers in business (CTOs and COOs) to implement the same process improvement programmes that they use (Six Sigma, Balanced Scorecard, and ISO 9000 are the most commonly cited).

Forrester has been advising its clients for some time now to leverage process methodologies to be able to stabilize IT and enable investments for competitive advantage. A service improvement programme (SIP) is a formal undertaking within an organisation to identify and introduce measurable improvements within a specified work area or work process. A SIP driven from the IT organisation itself enables a CIO to track and maintain control over changes and employ a methodology that is closer to the IT department (thus increasing acceptance with employees) than to the business world. This can drive mutual benefit and understanding across the organisation, resulting in the business benefits detailed in this report. An IT organisation that is process-orientated and uses established management tools that can respond to and work with the business, starts to give the CIO the tools and information they need to prove their equal standing amongst their C-level peers.

SIPs Were Widespread Among Respondents

The initiation of a SIP is a high priority in IT organisations in 2006. Over three-quarters of respondents have a SIP in place in their organisation already. One-third of respondents with a SIP (26% of total respondents) report that it is fully implemented; while 52% of the SIPs are still in progress. Another 11% are planning a SIP and a further 8% are in the investigation stage, leaving just 3% with no plans at all (see Figure 2).

Figure 2: Distribution Of SIPs



(n = the number of respondents in these particular business areas and answer groups)

IT service providers and telcos were somewhat ahead in their SIP initiatives (40% of ITSPs have fully implemented SIPs), probably reflecting the demand from their customers. Public sector respondents were less advanced in the whole process, but committed to process improvement (15% fully implemented and 61% in progress).

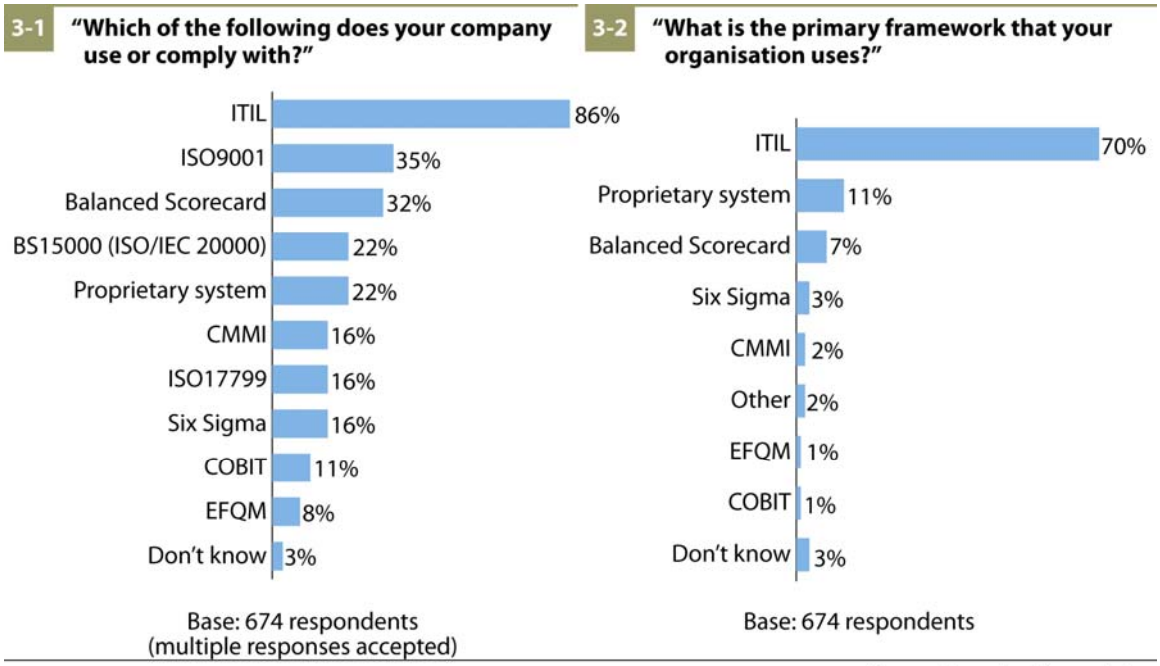
A Proprietary Or A Market Solution For Your SIP?

Many different methodologies support service improvement; the respondents were asked to name which of these they leveraged in their organisations from a longer list of choices.

Although 87% of respondents do use ITIL — and 70% even name ITIL as their prime reference guideline — 32% of the firms also use Balanced Scorecard or even proprietary methodologies (22%) to optimise their service processes (see Figure 3). CMM and COBIT were also mentioned by 16% and 11% respectively as initiatives being used within Service Management, while 16% also have Six Sigma initiatives in their companies.[2]

Nearly a quarter of respondents have a proprietary methodology internally. This seems at first glance to give the impression of a fractured market of people not wanting to completely commit to ITIL or any other single methodology, which they were in most cases also using. In fact, many people described these proprietary methodologies as based around, on, or very close to ITIL, as it is such a 'logical' and 'commonsense' base line.

Figure 3. Primary SIP Compliance Standards And Guidelines



Source: Forrester Research, Inc.

Forrester anticipates that more and more IT organisations will have to deal with business-driven methodologies in addition to an IT-process based SIP, as their colleagues in the business areas try to compare the IT organisations' performance in their terms. If the IT organisation has leveraged an IT-process-centric SIP such as one based around ITIL, Forrester observes that these organisations find it easier to report against the business methods than an IT shop that must report on a non-IT-based methodology without internal process improvement experience. Interestingly, one of the key challenges that was reported in trying to undertake a SIP rollout was the lack of understanding from the other business units, who were not using any sort of process methodologies themselves. Where budget was available those responsible for Service Management wanted key managers from the various business units, as well as their own IT staff, to attend introductory ITIL courses to bring them up to speed on the language and potential of the processes.

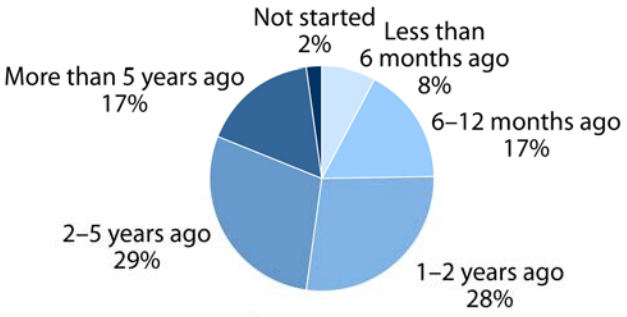
The use of Balanced Scorecards was particularly high in the IT services, financial services, and telecommunications sectors. It was the primary industry methodology for 16%, 14%, and 15%, respectively, of our respondents in these sectors. These industries reported a correspondingly reduced use of ITIL as the prime SIP methodology (62% in each, against a cross-industry average of 70%).

SIPs Have Been Around For A Long Time

Of those who have fully implemented a SIP, 42% started their programme more than five years ago, and another 43% between two and five years ago. An effective SIP programme lasts several years (see Figure 4). Anecdotal evidence indicated that many companies suffer delays in rolling out their target SIPs due to lack of, or wavering, executive attention. This is also the experience of Forrester clients, where the classical challenges of a multiyear change management programme have been observed (continuity after management churn or a merger/acquisition, project marketing, and employee motivation). Belief in the power and potential for a SIP was so strong among people we spoke with, however, that many had been undertaking it, as one person put it, 'as my weekend and evening job.'

Figure 4. Length Of Time A SIP Has Been Underway

"When did your organization start its primary service management program?"



Base: 640 respondents at enterprises with a SMP
(percentages do not total 100 because of rounding)

Source: Forrester Research, Inc.

The spread of companies in the progress of running a SIP supports the above statement about how long an SIP will take: 7% started more than five years ago, 24% between two and five years ago, and 38% between one and two years ago.

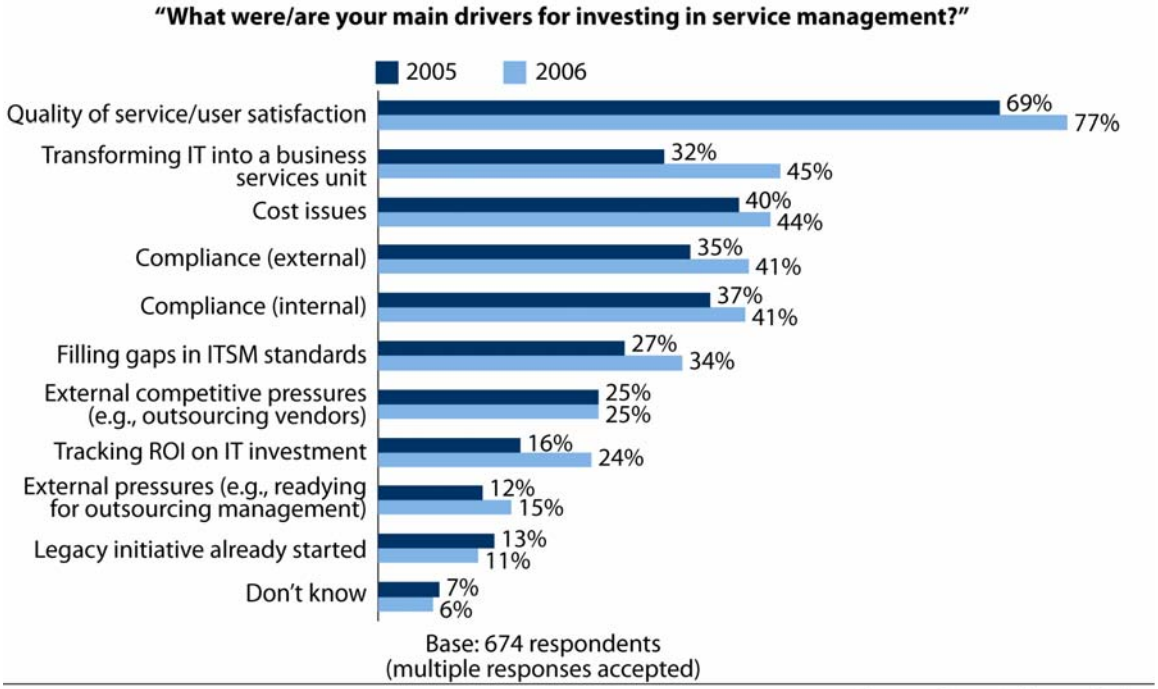
Curiously, around 25% of the companies who are still in the planning stage first started their discussions more than five years ago as well. This reflects a pattern that Forrester has clearly observed among its clients. Organisations don't automatically understand how to justify a SIP and describe its potential benefits to help them move forward with planning and discussion . Other distractions from 'daily life' (just focusing on providing responsiveness without examining the underlying process is the most common) and bigger impact occurrences like mergers or acquisitions also delay a full commitment to a SIP — so it remains in the planning stage.

Companies in the IT services sector have been examining Service Management initiatives much longer than in other sectors, with 29% already involved for more than five years. The public sector, which is at a much earlier stage of adoption, is progressing with Service Management (just 11% started more than five years ago). Indeed, some 37% of the public organisations have been working on their SIP for less than 12 months (compared with 25% of all respondents and 16% of service providers), which implies a much more recent take-up of such activities than is perhaps generally perceived.

Drivers For A SIP Mirror Pressures On The IT Organisation

Despite the reported distractions and delays to SIP rollouts, a number of issues continue to drive commitment to SIPs. When offered a list of the possible major drivers for SIP, respondents' answers provided a logical distribution, with service/user satisfaction the main driver for approximately 80% of companies in 2006 (see Figure 5).

Figure 5 Drivers for a SIP

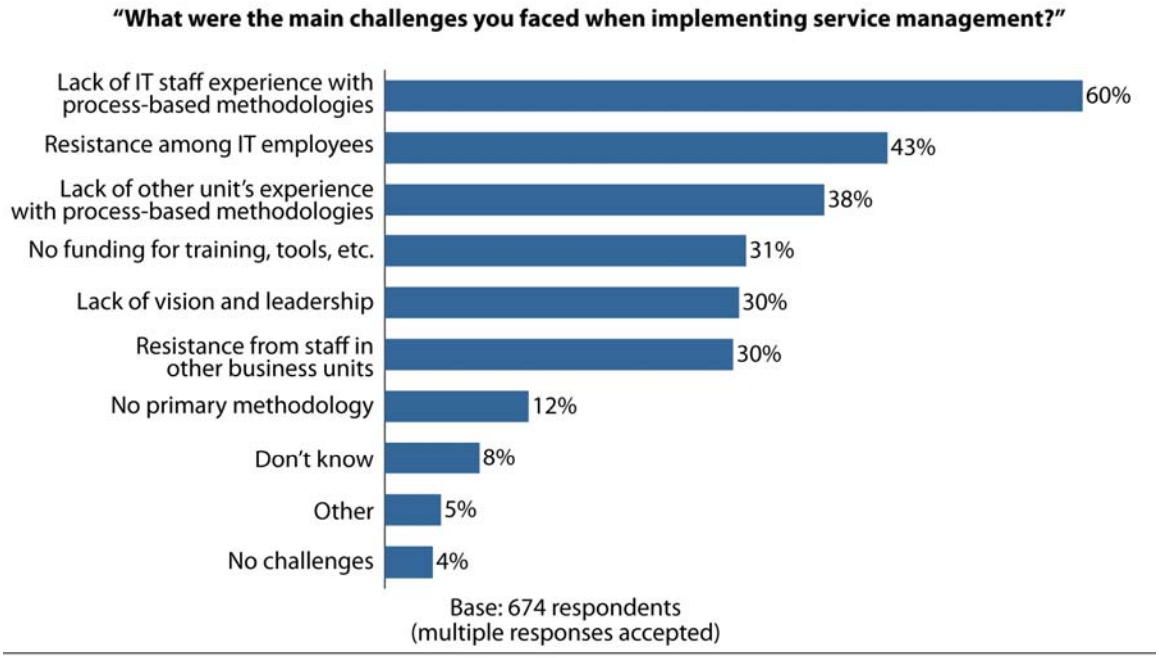


Source: Forrester Research. Inc.

Comparing the drivers in 2005 and 2006 shows that all companies are under increasing pressure to implement process improvement. With the exception of the 'legacy initiative already started' driver — which means, 'We started, so we will finish' — all factors have increased. In particular, companies feel more external compliance pressure and face the challenge of transforming of IT into a business service. Where there were industry-specific anomalies, they also followed logical paths. While most industries were aligned on the drivers for a SIP, the telecommunications industry showed the only real extra driver, with significantly more pressure from external competition (outsourcing providers) to invest in SIPs.

Business requirements provide the imperative for SIP, but without a high-level executive championing the programme, it sees slow uptake (see Figure 6). Forrester spoke with people in IT departments, who had had to develop a SIP piecemeal, getting input and commitment slowly — a very painful approach to SIP. With executive championing, SIP plans accelerate quickly throughout the IT organisation and get buy-in via improved visibility, funding, and training. Almost 30% of respondents told us their CIO was driving SIPs, and a further 43% said that a non-C-level executive was leading the initiative — not a surprising split, given the traditional focus of IT on dependability and efficiency. The involvement of CEOs (especially at IT service providers) for efficiency-focused efforts fits the same model. Forrester has observed in other studies on Service Management that COOs often play a strong role, particularly in manufacturing companies, where process methodologies have truly transformed business operations.

Figure 6: Key Challenges To A SIP



Source: Forrester Research, Inc.

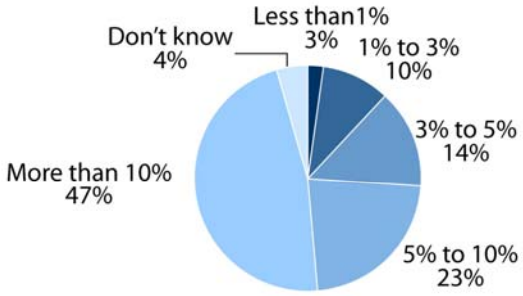
The top challenge for a SIP is the fact that IT has not focused on service improvement before — nor, in many cases, did it have any experience of a process-based methodology. Supporting the more major driver to industrialise IT across the board has been the core focus to date. CIOs must find ways to communicate their change objectives, manage organisational and process disruption, and continue to motivate IT employees to work in a new environment.

High Staff Investment For A SIP

When asked about how many of the IT staff are involved in the SIP, nearly half (47%) of the respondents answered that more than 10% of their IT organisation were involved (see Figure 7). This was even higher amongst service providers (62%) and in the public sector (53%). This underlines the commitment in the market to Service Management, but it hides a more complex internal picture. Most companies do not have a team of people who are specifically dedicated to service and change management. The majority of IT staff involved in a company's Service Management initiatives were spending 10% or more of their time involved, but this was because they got pulled into teams on temporary secondment, or in addition to normal duties.

Figure 7. Proportion Of IT Staff Involved In SIPs

"What percentage of IT staff at your company are involved in service improvement initatives?"



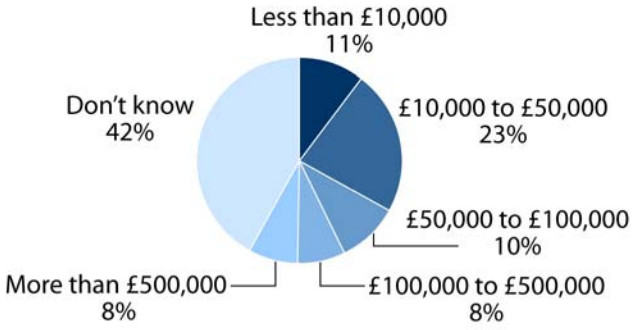
Base: 674 respondents
(percentages do not total 100 because of rounding)

Source: Forrester Research, Inc.

External consulting services are seeing an increase in popularity, with 56% of respondents telling Forrester that their company called on external support for their SIP. Annual expenditures in 2005 varied dramatically between companies spending up to £10,000 and those that spent over £500,000 (8% of respondents) The companies spending more than half a million pounds were spread fairly evenly across industries, but were mainly very large enterprises (10,000 employees or more) (see Figure 8).

Figure 8. Spending On External Consultants

"Approximately how much did your company spend on this external help during 2005?"



Base: 674 respondents
(percentages do not total 100 because of rounding)

Source: Forrester Research, Inc.

A similar volume of respondents plan to invest in 2006. Budgeted amounts for 2006 actually indicate a trend toward an increase in spending of around 13%.

SIPs Focus Around ITIL

With the majority of our respondents investigating or utilising a number of the methodologies that are in the marketplace, we wanted to specifically investigate the primary methodology that had guided their SIP. ITIL had been a major reference point for 80% of our respondents, and was the primary methodology at 70% of responding companies. Of the 10% of companies not using ITIL as the primary methodology guiding their SIP, the majority were using a proprietary structure and guidelines. On the whole, our respondents commented that these were either legacy initiatives from specific departments — and under review to be replaced — or were very close to ITIL anyway in their language and structure.

With a large proportion of companies using ITIL, we also wanted to know just how much individuals knew about ITIL not just as a concept, but through certification (at the Foundation, Manager, and Practitioner levels).

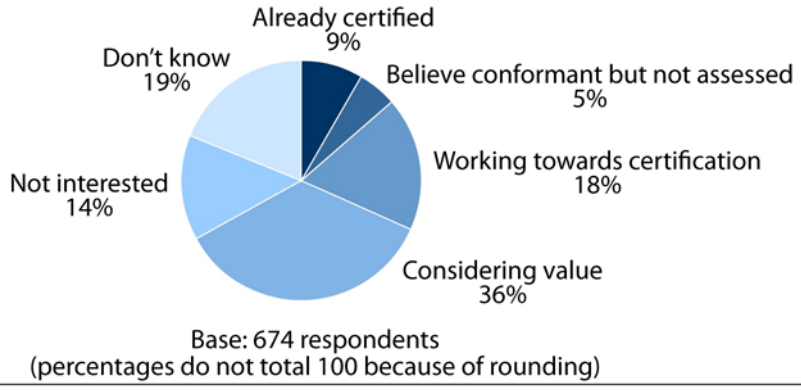
Status Of ITIL Programmes And ISO 20000 Adoption

Data from Forrester's other survey tools tells us that only 10% of respondents had adopted all the ITIL disciplines, and 27% had not adopted any aspect of ITIL, although over half of those people were expecting to adopt ITIL over the next two years. As would be expected, members of itSMF UK, our data source for this report, were significantly further ahead with ITIL than the business population at large. In fact, 51% of the respondents reported that their organisation had fully accepted ITIL and was leveraging it in its IT operations. Most of the remaining respondents, 46%, were in the investigation/planning phase. Perhaps most importantly, just 0.06% of the itSMF UK respondents represented organisations that had rejected ITIL outright — just four companies out of 674. The key reasons that these four companies had rejected ITIL were that they found it too bureaucratic and expensive. Expense was also mentioned by the companies who responded to our wider Forrester survey — but only 6% of this larger set of respondents had reviewed and rejected ITIL. The main reason was similarly that ITIL was too costly, but this time lack of internal support was also a barrier to adopting ITIL in the future.

ITIL serves as the basis for the compliance standards BS 15000 and its replacement ISO/IEC 20000, so the companies were asked about their status with respect to these standards. More than one-third of the respondents (37%) either didn't know about the standards or were not interested in their adoption, while another 36% were in the evaluation phase, deciding whether to obtain certification. The remaining third have obtained certification or were in the process of doing so (see Figure 9).[3]

Figure 9. Levels Of ITIL Certification

"What is your company's status with respect to BS15000 or its replacement ISO/IEC 20000?"



Base: 674 respondents
(percentages do not total 100 because of rounding)

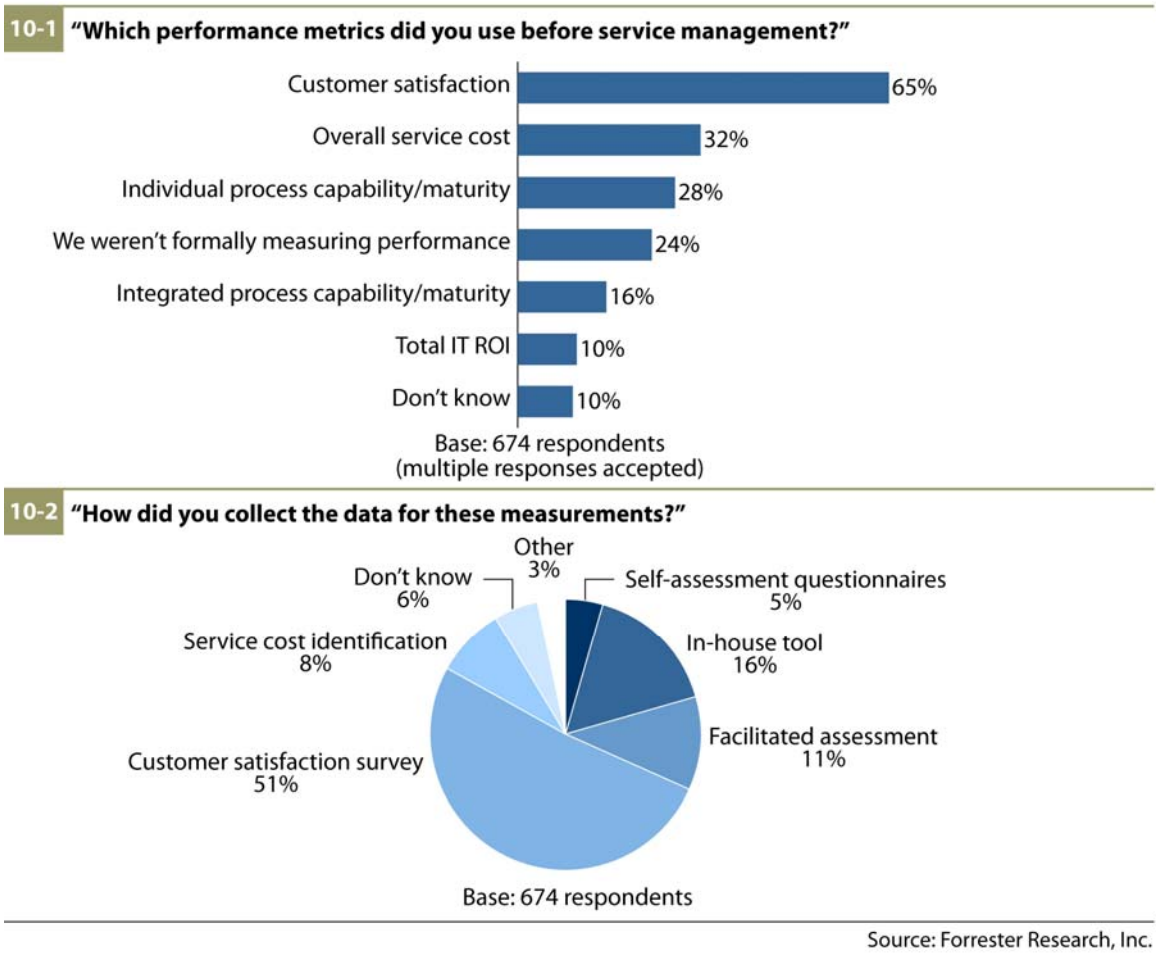
Source: Forrester Research, Inc.

Forrester anticipates an increased interest in compliance to ISO/IEC 20000 as vendors and service providers leverage the general compliance trend in their marketing materials in response to external client demand, and as IT organisations come under pressure from their peers to be able to demonstrate their own process effectiveness.

Process Improvement Metrics And SIP Effectiveness

When indicating the metrics that they used to measure service performance before the SIP was started, the majority of respondents had used customer satisfaction levels (65%), followed by overall service cost and an individual process maturity analysis (see Figure 10). Customer satisfaction levels were mainly assessed by using customer surveys (51%), an in-house tool (16%), or a facilitated assessment tool (11%). A range of companies are capable of independently assessing an IT organisation's maturity against various benchmarks, including ITIL, and should be considered to lend weight to the results when reported internally.

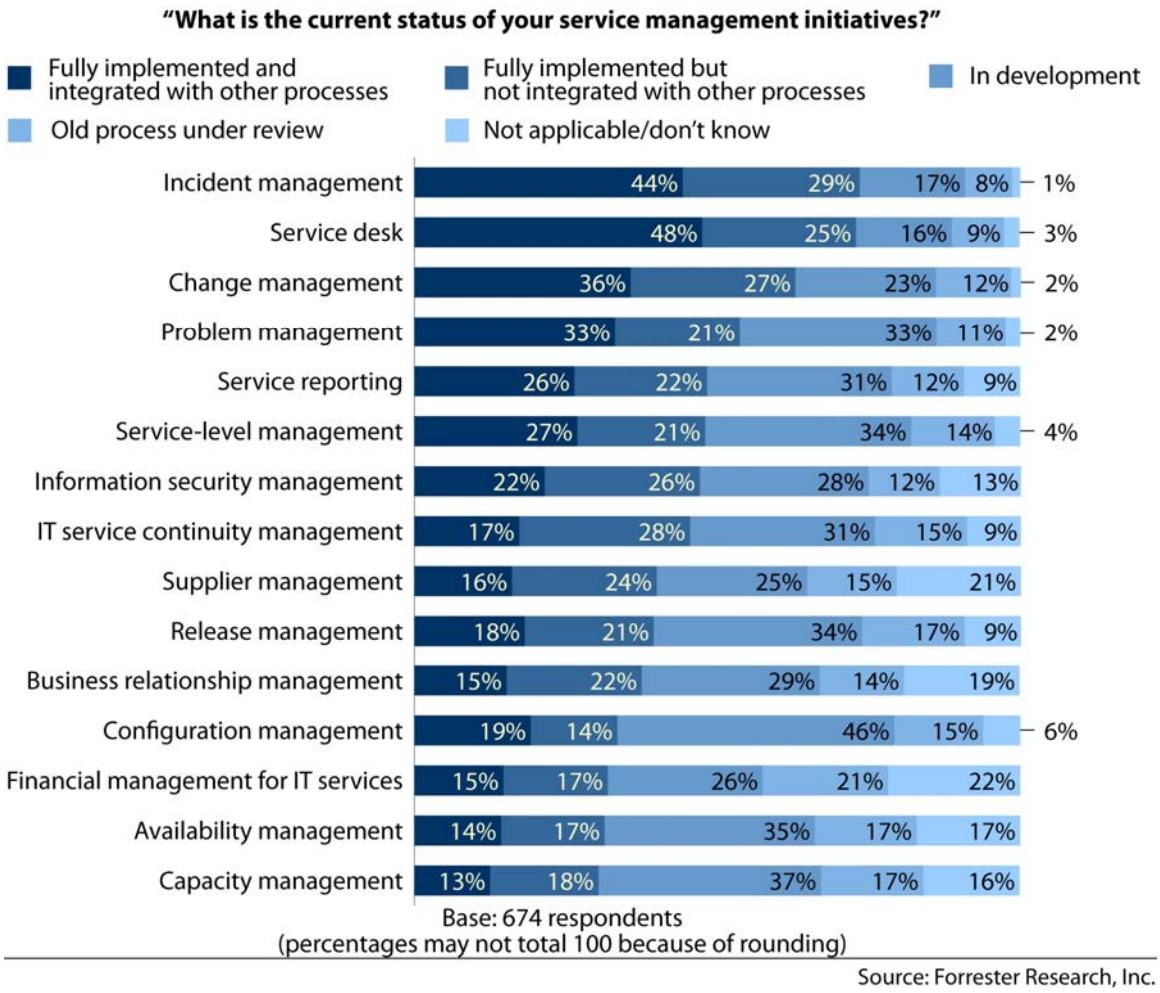
Figure 10. Key Metrics Tracked By IT Prior To Developing A SIP



Source: Forrester Research, Inc.

The respondents were asked to report the status of individual processes, based on a list that included the ITIL processes themselves. Status maturity ranged from 'an old process under review' through to 'fully implemented and integrated with other processes' (see Figure 11). In a Forrester report written in March 2005, we asked people to rank by priority the ITIL processes that they would be working on or rolling out next. Interestingly, one of the processes ranked most highly in this survey, configuration management, was one of the least mature processes reported — with only 19% having fully implemented and integrated it.[4]

Figure 11. Maturity Of Service Management Processes



Source: Forrester Research, Inc.

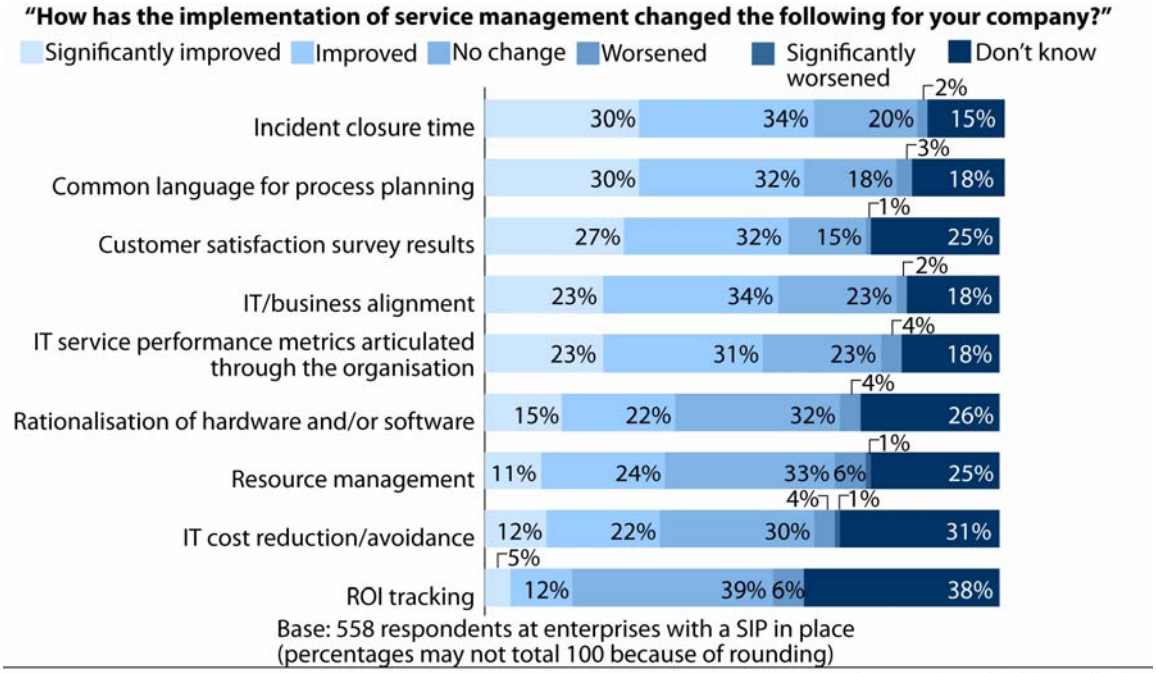
The service desk and incident management are the most mature processes across the board, followed by change and problem management. The respondents then considered service-level management and service reporting to be the next most mature processes. Almost 20% of respondents could not even provide us with a status for capacity management, availability management, and business relationship management. This is an anomaly not just exclusive to this interview set, but that Forrester has observed more widely amongst our clients and more generally in the market. It shows that the movement of many IT organisations from a reactive operating mode toward a proactive Service Management model is still a work in progress.

How Can An Organisation Benefit From A SIP?

So far the survey results have shown high levels of commitment to SIPs, a large number of drivers for uptake and considerable time and effort already invested by IT staff.

To understand whether Services had actually been changed and improved through the implementation of a SIP, we asked whether respondents thought (on a sliding scale) things were 'significantly worse' through to 'significantly better' than before the SIP.

Figure 12. Improved Tracking In A SIP

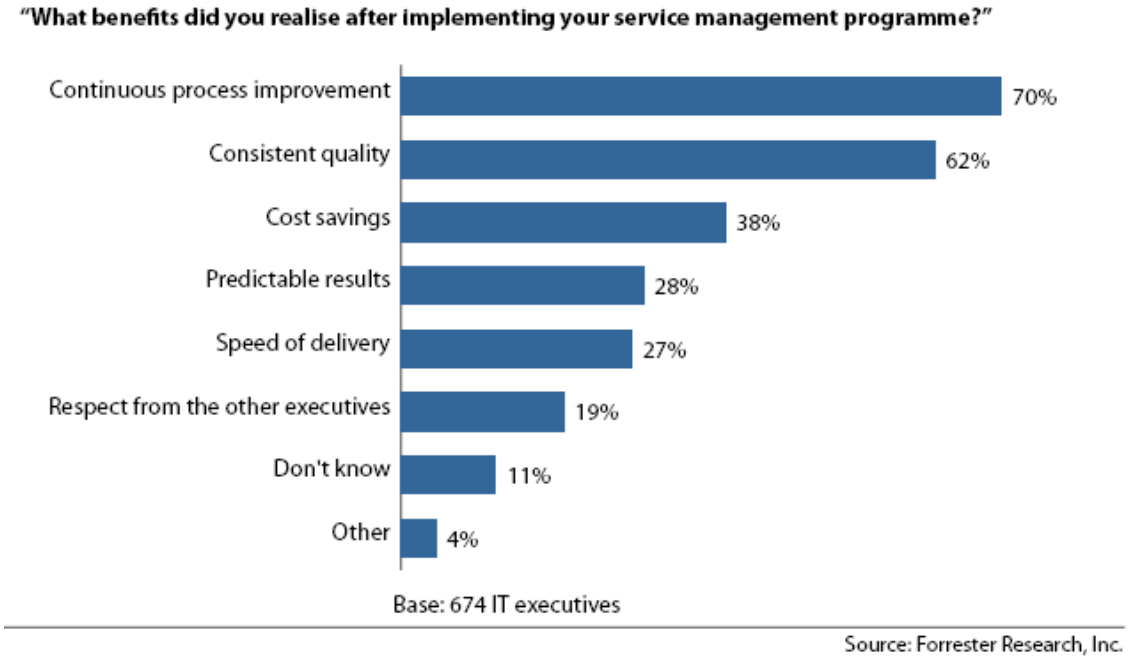


Source: Forrester Research, Inc.

There was a direct correlation between the metrics used in their organisations (see above) and the performance of those metrics reported here. The most affected were customer satisfaction and incident closure time: Metrics that are well recorded but not thought of originally as ones to demonstrate the success of an SIP. Another strongly recognised area of improvement was having a 'common language for process planning.' One of the effects of a programme like ITIL adoption is the ability for disparate IT operations groups to better communicate their processes and process status. This is even more apparent when external providers are included. IT/business alignment and IT service performance are also recognised as having improved due to the SIP.

As well as looking at whether specific areas had shown service improvement, we also asked respondents about more general benefits, both tangible and intangible (see Figure 13). The benefit that the most members of *it*SMF UK reported was that of having a framework for continuous process improvement (70%). This was closely followed by consistent quality (62%); 38% told us that they had seen cost savings since the internal ITIL roll-out. From the people that Forrester surveyed to find out about Service Management more generally than within the itSMF UK, quality and process efficiency also topped the lists (with 69% and 52%, respectively); but this time, only 19% of companies that had implemented ITIL reported cost savings, although 35% said they saw better productivity from IT operations.

Figure 13. Benefits Identified By Respondents



The Forrester survey of companies across the UK and Europe told us that almost 70% of respondents had not put together a business case (ROI) for ITIL before they adopted it. Of the small sample that did make a business case, 70% didn't know what ROI they got — or didn't observe the ROI that they had expected.

Conclusions And Recommendations

IT organisations will continue to be under pressure to improve their service orientation to business users. The main drivers cited in this survey were quality of service improvement and transforming IT into a business service. This will involve re-engineering their own processes and organisational structure to be more customer-centric, as well as adopting more business-orientated language and metrics in their communications and reporting. While there are several methodologies available to accelerate this change process, a service improvement programme based on ITIL, itself based on the experience of thousands of other IT peers, will be easier for CIOs to adopt and progress through the organisation than other non-IT methods. The overwhelming majority of UK-based companies have adopted ITIL as their service improvement methodology.

The main inhibitors to the change process was the IT staff's lack of experience in process-based methodologies and (probably for that reason) their resistance to change.

ITIL should be considered primarily as an agent of change. ITIL assists IT organisations to realize service improvements through internal reorganisation, process automation, and integration. Firms find that ITIL supports the introduction of IT asset management, which always provides tangible cost savings through better software license management, contract management (warrantees and leases especially), and efficiency improvements in Service Management. IT groups also gain a boost from ITIL when developing business Service Management processes and fully utilizing a configuration management database.

The survey also highlighted the fact that not much attention was paid to documenting the benefits of the process improvement programme. Forrester believes that the many IT organizations now just beginning these service improvements will be asked to address this issue. Business executives will want business justifications**.** IT departments can't afford to jump into ITIL without a clear business case or without any idea of a demonstrable ROI. If the IT group fails to build that justification, executives will react as they did in the past with ISO 9000, asking: 'What did it bring as added value?'

The business case approach requires homework on current status. Those organizations that must address direct ROI reporting for their ITIL investments should prepare themselves with good data and metrics before the initiative begins. They must document metrics such as customer satisfaction levels or direct costs to be able to make a true before-and-after comparison. But they should also realize that the total economic impact will include other improvements that derive from the ITIL initiative but are not directly attributable to it.

Appendix A: Glossary

CMM: Capability Maturity Model

COBIT: Control Objectives for Information and Related Technologies

COO: Chief Operating Officer

CTO: Chief Technology Officer

CIO: Chief Information Officer

Appendix B: Survey Methodology

Forrester conducted the survey through an interactive Web-based questionnaire where each individual question was displayed separately, including the answering options. Users were guided from question to question in the context of their previous answers; the plausibility of the data provided was tested on an ongoing basis using Forrester's extensive experience of operating such Web-based surveys (Forrester interviews hundreds of thousands of users each year in this manner). *it*SMF UK members were polled via email and a link on the *it*SMF UK Web site was also set up to invite members to contribute their information.

The survey was positioned as being about Service Management (SM) practices and the use of service improvement programmes (SIP) to assist in the optimisation and standardisation of the service processes in IT operations. ITIL was only mentioned in specific questions.

The survey was in the field for three weeks and had a 9% response rate; as expected, perhaps, by the great commitment to this topic within the *it*SMF UK membership.

Forrester filtered the responses for a number of factors:

- Disproportionate numbers of responses from a single company/organisation
- Responses from companies outside of the UK
- To more closely represent the proportionate split of industries that make up the membership base

Even after all these filters, there still remained a total of 674 respondents finally available for the analysis in this document (representing over 500 companies).

Forrester also undertook a number of follow-up telephone interviews. These 'lighthouse interviews' helped to substantiate the data collection, and enabled discussion on some of the topics addressed in the questionnaire in more depth. Over 270 (40% of the total) respondents indicated their willingness to contribute in this manner; Forrester randomly selected from that group for further discussion. The information gleaned through those conversations has also been integrated into this survey report.

Appendix C: The Authors

Peter O'Neill is a Principal Analyst at Forrester Research and advises clients about Forrester's research on how to benefit from IT infrastructure management technology and processes. He has a deep knowledge of infrastructure management technologies and all of the vendors in this area.

Imogen Harris is an Associate Consultant at Forrester Research and works closely with clients to understand how to make the most of outsourcing and business process best practises. Imogen also writes and publishes regularly on the subject for Forrester.

Appendix D: Endnotes

[1] The exact business title breakdown was: 4% CIO or Director of IT; 16% manager of IT reporting to the Director or above; 2% Director of a department, not IT; 4% manager of a department, not IT; 27% manager directly responsible for service improvement or management; 28% manager or process owner of one or more management disciplines; and 20% other.

[2] Please see the Glossary in Appendix A for acronyms.

[3] As this survey went out to members of itSMF UK, they will by default be further advanced with ITIL certification of staff.

[4] See the March 16, 2005, Forrester Quick Take "Not All ITIL Processes Are Created Equal." We asked 19 $1 billion-plus companies to rank perceived value and importance of the ITIL processes for Service Management programmes on a scale of 1 to 10. Incident management came out on top with an average score of 8.74, followed by service-level management (7.74) and configuration management (7.16).