



PUTTING A VALUE ON IT SERVICES USING THE SERVICE CATALOG

How does the organisation view IT? As a friend, foe or worst still an overhead? While it is true that the service desk can set the user's perception of IT, business executives and finance management can struggle to understand the actual value that the IT department provides to the business in real, tangible and monetary terms.

In today's world, there is no denying that most organisations rely to a varying degree on IT systems, services and capabilities for even the most basic functions. Intrinsicly, this implies that most organisations cannot operate competitively in today's 'always-on, always-connected' world without some form of reliance on IT. Therefore, one could assume that IT as a strategic asset and capability is:

- Valued by the organisation
- Vital to the success of organisation

If that is the case, then why are so many IT Leaders under pressure to reduce the costs of providing such an important and vital strategic asset? In these lean times of global austerity the mantra "do more with less" is not far from the lips of



the holders of the purse strings. Even before the economic downturn this same mantra was still being trumpeted to IT service providers.

Budgets And Overheads

Typically, like many departments within an organisation, IT is assigned a budget from which it has to manage the provision of IT services and applications, with all their associated costs, and effectively 'keep the lights on'. However if a budget is the only source of income or funding for the IT organisation, then effectively IT is in real danger of being viewed as an overhead at a strategic level.

What happens with overheads during lean times, times of austerity, or after a business review? Generally plans are drawn up to reduce overheads or, as more often is the case, to remove overheads. Removing an overhead can happen by right sizing, downsizing, or outsourcing. However ineffective outsourcing can turn "do more with less" into "same mess for less" or "your mess for less".

So what can the CIO or IT Director do about this?

A Simple Solution

The solution is simple. Stop relying on budgets to fund the cost of IT. Instead identify the cost of providing each service and charge the organisation for its use of IT. Make each organisational department's budget accountable for funding their use of IT.



Can it be that simple? The answer is – yes it can. However three common barriers prevent IT Leaders from achieving this simple turnabout:

- Barrier 1. Identifying the services that IT provides to the organisation.
- Barrier 2. Describing these services in terms the users and customers understand.
- Barrier 3. The inability to break down the costs of providing these services and bill each department for their use of the services supported and delivered by IT in a fair and equitable manner.

How To Achieve This

Use the service catalog! A records-based service catalog hierarchy can be used to map customer services and business services to their supporting IT services. Lower down the hierarchy IT services are then mapped to the IT systems which are made up of configuration items (CI's).

This structure allows an organisation to understand the different components and layers of each service. This level of detail can be used in conjunction with information from the finance department to understand the actual cost of services on a service-by-service basis.

Many costs need to be apportioned to each department using the service based on pre-agreed methods e.g. by the number of users within the department or even better, by the actual usage of a service by the department i.e. metered



usage. The more specific the method of apportionment the more complex it is to measure accurately and charge.

Example

The service catalog outlines the IT services and IT systems that the business and customer services use. It is this breakdown that allows for transparent charging that is linked to the finance world i.e. the actual costs of providing IT.

Data hosting, LAN and WAN infrastructure, SAN and storage, telephony and communications infrastructure are all examples of IT systems and services that can be shared by multiple departments to provide them with basic business and customer services. Note: none of these IT services systems are seen as true services in the eyes of the users or customers.

Each department should be charged for their use of such shared infrastructure, applications and services in a fair and transparent manner i.e. by an apportionment or better still actual metered usage. This service-to-finance breakdown continues to identify direct costs, indirect costs and overheads. In order to do this an appropriate cost model needs to be created and applied to each service.

Remember, before services can be costed, they need to be identified and understood at different levels, which is where the service catalog comes in.



Change Is Required

However until the philosophy of the traditional IT budget is changed in favour of a consumption-based charging mechanism, IT is likely to be consigned to the same fate as other typical overheads within the organisation.

Information on how to develop a service hierarchy by using the service catalog is explained in more detail in my book “The Service Catalog”. Decomposing services to their lower-level components provides a foundation for understanding the cost of each service and therefore creating an appropriate cost model for charging for services.

Further details are available in my book [“The Service Catalog”](#) which is published by Van Haren Publishing and is available through online bookstores.

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