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Whitepaper

Lean IT Service Management: A transformation guide

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Content

IT Service Management (ITSM) is an intrinsic element of many IT organizations, but a traditional implementation may no longer be sufficient to meet current expectations. Almost all organizations are eager to lower costs while increasing their capacity for innovation – and those that are not yet doing so may benefit from rethinking their strategy. Ideally, everyone would prefer to move beyond just keeping the lights on, instead focusing on supporting the business and promoting innovation. If a company has invested in ITSM and is not seeing the expected results, it's time to look at what's missing.

Room for improvement

Based on what we have seen in various projects over the years, we can identify a number of areas that may be trailing behind in a traditional approach to IT Service Management. First, even if processes have successfully been implemented, ITSM may not have affected customer satisfaction or improved perceived customer value. Value for money is also a consideration: has the company achieved the savings or efficiencies they were looking for in their business case for implementation of IT service management? Improving services and processes is another recurring theme. ITSM is often expected to improve services and optimize process performance within the organization, and to boost workforce motivation. It is important to look at whether implementation of IT Service Management has in fact contributed to motivating the workforce and to achieving service and process improvement.

Three strategies to drive ITSM forward

If a critical review of the ITSM implementation reveals room for improvement, the next step is to define an optimization strategy. There are three basic options available to drive ITSM improvement across the organization.

The first is a compliance-driven ITSM implementation. The aim here is to improve process maturity by focusing on best practices. Identifying best practices and bringing them into the organization makes it possible to create a common language and a converged and increasingly more effective way of working across the organization. Process adherence is the main objective of implementation here.

The second alternative is to use a similar approach, but with a focus on performance. A performance-based approach to IT service management improves the overall performance of the IT organization by focusing on units of work and the performance criteria in such processes as incident management and change management. In this context, the aim is to accelerate and improve the performance of the processes related to those work units.

The third option, which will be addressed in more detail here, is Lean IT, which is customer-focused, maintaining a broad perspective on the value created for customers through IT services. Lean IT is essentially about improving the value of the IT organization by optimizing the behavior and attitude in the IT organization towards continuous value improvement for the customer.

IT Process Implementation (ITSM)	Preformance - Based Service Management	Lean IT
Improve process maturity through focus on best practices	Improve overall performance of IT organization throuth focus on units of work	Improve value of IT organization to customers through behavior and attitude

What is Lean IT?

Basic principles of Lean management

Before addressing Lean IT, it's important to understand the underlying principles. Lean management is about delivering value to customers, and constantly improving that ability. Customer value is the foundation here, delivered through value streams that combine all the activities to deliver the intended value as quickly as possible. In a Lean approach, an organization would map out these value streams and streamline them to create uninterrupted flow. Customers are pivotal, since they trigger the value stream through which the IT organization aims to guide the work as quickly and smoothly as possible. That means the organization needs to map out its value streams in support of the customer's needs. Once all this is in place, it is time to seek perfection through continuous improvement, removing barriers and boosting performance across the organization.

Characteristics of an IT organization

In mapping these Lean principles onto an IT organization, we can identify several factors that affect the implementation. The first is technical complexity: an IT organization is, by nature, a technical work environment. One of the most crucial aspects in leveraging Lean in the IT organization is the visibility of the product's flow through the organization – but the unit of work in the IT organization is invisible. It's not like a car on a conveyor belt, where you can see the product as it moves along through the organization, adding value cumulatively until it reaches the customer; it's an intangible product that needs to made visible.

The organizational complexity of an IT organization is also a factor, as well as the specific language used in the IT environment. Traditionally, IT organizations are divided along the lines of application development and datacenter services, in different flavors of what is known as Plan, Build and Run functions. Within each unit, technology has been the guiding principle for additional splits into smaller manageable areas or groups. Driven by local efficiencies and not alerted by a physical buildup of surplus inventories, these areas and groups evolved into isolated silos that are unable to support flow across these areas and groups. Moreover, an IT organization uses very specific terms that you need to understand to interact with the organizational structure. Take the IT gemba (Japanese for 'the real place' or 'place where work is done'), for instance. Suppose you want to go out to the shop floor, meet the people that execute the work, just like you would in a factory. What does the gemba look like in an IT organization? Who do you meet there, what is the IT 'lingo', and what themes are relevant for these people? This means that a deep understanding of IT and IT performance are necessary to apply Lean and IT in conjunction. And to be able to understand IT performance, it is necessary to thoroughly understand ITSM processes.

Lean + IT = Lean IT

The next step is Lean IT: a blend of these two areas. It could essentially be defined as the application of Lean manufacturing principles to the IT organization. These principles are mapped onto the complex IT environment, using extensive knowledge of ITSM and IT delivery and build processes. At the end of the day, the aim is to maximize the value and increase the flow of value through the IT department in support of the value streams in the business process.

ITSM and Lean IT

A traditional approach to ITSM differs from Lean IT in several relevant ways. ITSM is about what and Lean IT is about why and how. ITSM focuses on processes, describing what is done in those processes. Lean IT is more focused on why should we do it and then how do we do it.

The difference is in the focus, rather than the content; as a result, it is possible to effectively combine the two.

For instance, ITSM is focused on processes, while Lean IT is focused on value streams. ITSM is focused on prioritizing for resource efficiency, while Lean IT is focused on creating flow and improving flow efficiency. Process metrics in ITSM are replaced by more customer-oriented metrics in Lean IT. Finally, IT Service Management is very strongly focused on compliance and control, whereas the Lean IT approach to processes is more focused on removing hurdles and solving problems in the process to optimize flow.

ITSM

...describes WHAT

1. ...focus on processes
2. ...prioritizes for resource efficiency
3. ...uses process metrics
4. ...polices the process

LEAN IT

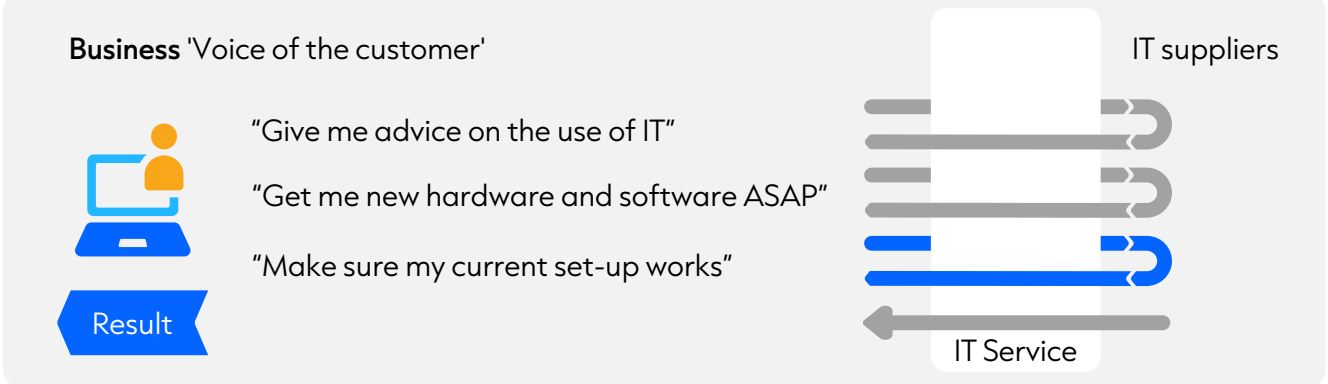
...focuses on WHY and HOW

1. ...focus on value streams
2. ...aims for flow and flow efficiency
3. ...uses customer-oriented metrics
4. ...solves problems in the process

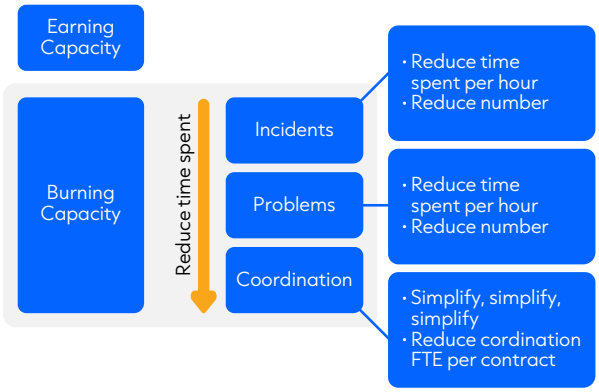
Blending ITSM with Lean IT

The ITIL framework is simply massive. Without a perspective on the entire scope and the value each process contributes in support of your organization's needs, it is difficult to know where to start and where to stop. Implementing Lean IT throughout the framework should not be a goal in itself; such an implementation would be ineffective if it did not address process interdependencies, process maturity, process outcome and business objectives. The first step is to focus on the right processes and the right units of work. Like the proverbial elephant, it can only be eaten one bite at a time. Many different things could be extremely valuable to the organization, but it is impossible to do it all at once.

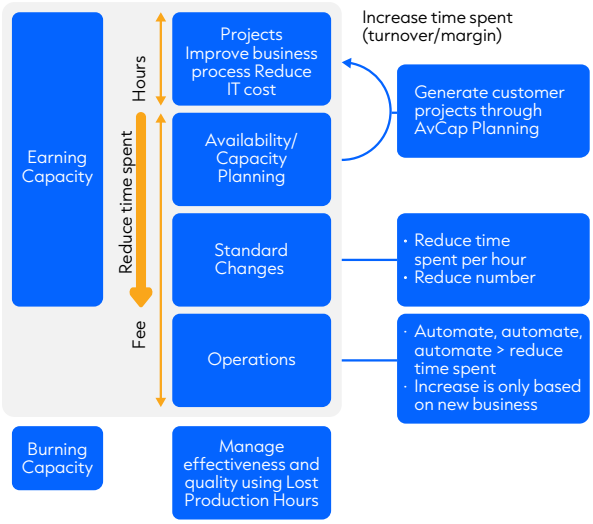
Besides identifying the key processes, it's vital to understand which ITSM processes are actually value streams and which are not. Over the last 25 years at Eraneos, we have found that it has been useful to take an outside view, looking at IT as an end user to the IT organization. In essence, that end user only wants three basic things from the IT organization. The first is very simple: to ensure that all the IT systems and equipment currently in place keep on running. Second: if the customer wants something new, they want it in their hands as quickly as possible. The third and final thing that the customer wants is for their IT colleagues to advise them on how they can leverage the potential of IT for their business objectives.



It sounds deceptively simple, but it can be tricky to manage. If an IT organization is unable to keep the current IT stuff running properly, they lose their license to operate. If this happens – as we have seen in projects around the globe – the business will no longer partner with the IT organization on delivery of new services. Similarly, they may no longer accept or pro-actively seek out advice on how to innovate their business. Instead, they may pull out their credit card and purchase the new service from the cloud. To retain that trust relationship, an IT organization needs to perform well on customer value processes.



Looking at these IT Value Streams, at Eraneos, we distinguish between earning capacity versus burning capacity. The objective for the organization should be to drive down the time spent on managing incidents and problems and on coordinating activities, and to move the time to activities that add value to the customer, such as projects and changes. Especially when initiated by IT, value-adding activities reflect how IT contributes to improving and innovating the business. Although standard changes, service requests, operations, and availability and capacity management add value to the customer, the objective should be to continually improve efficiency by automating tasks or driving down the time spent on these activities.



We strongly recommend maintaining a constant focus on time. In any production-based organization, the primary production factor is time, and IT is no exception. In the context of time management, we defined burning capacity and earning capacity. Burning capacity is the time and effort spent in the organization on activities that do not add value for the customer. Conversely, earning capacity is all the activities that directly or indirectly add value to the business. The overall objective should be to shift hours and effort away from burning capacity, moving them to activities that have earning capacity.

Focus on the right kind of efficiency

Lean IT instills the right kind of efficiency, shifting the focus from resources to flows. In a traditional approach, an IT organization would try to ensure that technical specialists always have a minor backlog of work, ensuring that relatively expensive experts are never idle. Keeping track of inventory to fill in potential gaps may seem efficient, but it is contrary to Lean thinking – and the approach tends to become so hyper-efficient that there's hardly any time to look at improvement. There's always too much work to be handled, and never enough time to catch up. As a result, the approach creates a stressful work environment – and, by design, it creates inventory and backlog, considered the biggest enemies of customer value in Lean management.

Lean IT takes a different view of efficiency. Lean is all about flow: making sure that the work is processed as quickly as possible to create value for the business. This is why inventories should be kept at a minimum. Ideally, there should be no backlogs anywhere in the organization. If all backlogs have been eliminated, rather than worrying about the risk of wasting time, it's considered a positive development. Unnecessary or redundant work is considered a waste, but idle time can be used to improve the process. It's an entirely different perspective. A work environment like this offers room for improvement. In general, within six to nine months after an organization embraces the potential and starts implementing Lean IT, it will reap the benefits – and that includes lowering stress levels.

Streamline the metrics

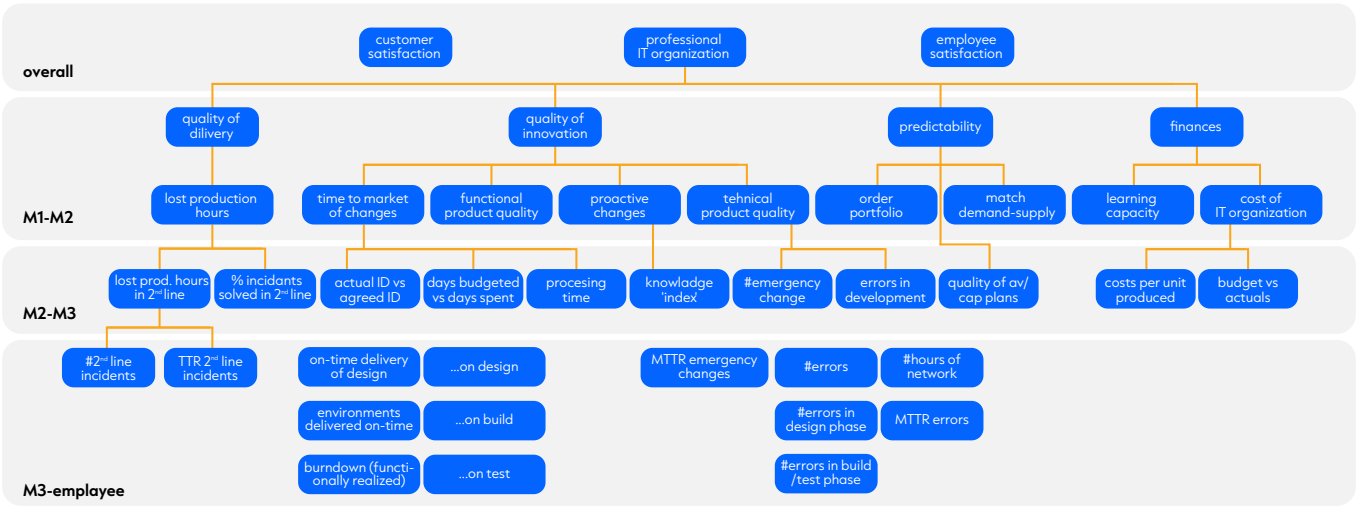
Looking at the metrics, traditional ITSM uses a long list of metrics to assess many different aspects of the processes. This fine-grained approach offers a lot of detail, but it makes it difficult to determine which metrics are most important, and especially which metrics matter to the customer. Also, traditional metrics in Service Level Management become targets in operational processes. Wher the objective for Incident Management is to restore service as quickly as possible, the service level may dictate that resolving 80% of incidents in 40 hours is the norm. Although it was never intended as such, the 40 hours' norm in this example has in many organizations been the reason why incident inventories exist and continue to grow. This inadvertent side effect occurs because there is no incentive for solving the 20% overdue incidents, and solving them has a negative impact on the service level metric which is dominant in the Service Level Report to the customer.

In contrast, Lean IT identifies a clear, concise list of key performance indicators that have value to the end user and/or customer. The KPIs identified in a Lean IT approach cover the same processes, but focus on how these factors affect customers and end users in the business.

The first is lost production hours: the impact incidents cause on the business in terms of the loss of productivity. Obviously, it is important to ensure that any such impact is kept to a minimum.

The next two KPIs are about change: the time to market for upcoming changes, but also how effective the changes are. As discussed earlier, customers want their IT solutions to be available as soon as possible, and they want them to work. In a similar line, the proactive changes that the IT organization puts forward are closely related and a good gauge for how IT is supporting innovation in the business – and how well IT truly understands the needs of the business. Lean IT also looks at the quality of the plans that you provide. If that KPI is applied to availability and capacity management, the question would be what the IT organization is planning to ensure that the IT infrastructure will continue to support business needs in the long run.

Last, but certainly not least, Lean IT looks at customer and employee satisfaction. Since customer satisfaction is the primary focus of the entire endeavor, this may well be the most important KPI. It is also closely connected to employee satisfaction, since Lean IT as all about creating a culture of continual improvement, establishing a happy IT team that is enabled to enable an 'IT happy' business workforce Branching out these objectives and KPIs through the organizational tiers, makes it possible to build the Management Cascade or KPI Tree that will drive convergence and focus across the organization towards shared and clear objectives.



Measuring customer satisfaction

Customer satisfaction is often measured by using a 'barometer' survey that we send out regularly to solicit customer input on the services provided. This key tool is used to generate visual reports on customer feedback. Looking at the visual management used in Lean IT, that input is always on the boards. It provides constant communication with the customer environment, ensuring that feedback on how activities and improvements within the Lean IT program are affecting customers is constantly incorporated into visual management.

Measuring the effectiveness of changes

Like time to market, change effectiveness can be measured with basic service management tooling. If a change leads to incidents, those events provide standard sources that can be used to measure effectiveness. When changes are directly related to projects, there are clear parameters that can be measured: the quality of the plan, the scheduled implementation date, etc

Process managers do the same job differently

In a more traditional IT service management environment, compared to an environment that has embraced Lean IT, we see major differences in the role of the process managers and in how they are perceived within the organization. From the perspective of compliance, the process managers in a traditional IT environment have a difficult job. They are considered the guardians of the process, the 'police officers' charged with making sure that everybody follows their process. In Lean IT, in contrast, the entire organization understands why those ITSM processes are needed, since they provide the means to create customer value. As a result, the process manager can focus on a more facilitating role, looking into processes and assessing where improvements can be identified and executed to improve the flow across the organization. In a traditional ITSM organization, the focus for a process manager and for all the other employees involved in process management and process design in the organization will be fully on the process

itself. In a Lean IT environment, on the other hand, the process manager will be focused on what will create added value or strip away waste for the customer. Instead of ensuring that everyone is following the process (the what), the process manager in a Lean IT environment communicates why people should follow the process to create value for the customer. The daily focus of the process manager shifts from policing to problem-solving.In this context, the focus in traditional ITSM is on creating a future state. The process manager works very hard on creating a process description and getting people to follow a new set of rules and a new way of working to go along with it, but Lean IT is about how the process can help achieve team results and value for the customer.

Conclusion: Lean IT and ITSM are complementary

Although it may seem that Lean IT and ITSM have several key differences, they are not separate, isolated frames of reference. In fact, the two are complementary and can provide tremendous support if they are implemented properly. ITSM provides a framework of best practices with the definitions and all the functions needed to make IT work, whereas Lean IT offers a method for continuous improvement to effectively contribute to customer value. Lean IT is focused on principles and on day-to-day improvement of the value that you create and provide to the customer, and it is focused on flow. If the aim is to drive performance improvement across the organization, both elements are vital.

Lean + IT = a total solution?

The application of Lean to IT in an organization does not instantly solve all its problems. Implementing Lean IT takes hard work, and lots of it. Before starting the process, it is important to be aware of the pitfalls inherent to Lean IT and how to overcome them.

Understanding ITSM processes

As said before, without a sufficient comprehension of the mechanics of the IT organization, it will be impossible to achieve the traction that you're looking to gain with Lean IT. Understanding IT and ITSM processes is therefore pivotal. At the same time, it should be complemented by a thorough understanding of Lean IT to drive the organization forward. Consequently, the first step would be to make sure that you educate your teams on both ITIL and Lean IT, or ensure that they are educated and speak the same language.

Managers as role models for change

Lean IT is about implementing change from the bottom up, energizing and empowering the workforce to achieve continuous improvement. However, it cannot exist without support and guidance from above. Managers need to take the lead and change first, defining the objectives for the organization in alignment with the business needs. In doing so, and by enabling teams to overcome hurdles to those objectives, they support their people and create room for the teams to grow to higher performance levels.

Tools supporting behavior

Another potential pitfall in the implementation of Lean IT is insufficient focus or overemphasis on the tools and the systems without sufficient awareness of the accompanying behavior. Lean IT is defined by the attitude and behavior in the teams, identifying hurdles and collectively figuring out how to remove them to improve flow in the value stream. This is particularly relevant in optimizing ITSM, considering the wide range of tools available in that context. Lean IT relies on metrics that measure flow, so it is important to understand and correctly draw data from your tools for workflow management. However, it is crucial to also mitigate the risk that everybody will claim their own version of the truth. The data stored in service management tools is an asset which is too frequently underestimated; today's tools provide excellent options to help build your Lean IT infrastructure.

Resilience in the face of adversity

The final pitfall we see happening in projects that organizations tend to give up at the first sign of resistance or difficulty. Lean IT requires hard work and perseverance to implement, but the result will significantly improve customer satisfaction.

Leveraging ITSM investments with Lean IT

The good news: most companies have already invested in IT service management. Previous ITSM investments can be leveraged by fully utilizing the potential of Lean IT. But what is the purpose? What is the Holy Grail of Lean IT implementation?

Why?

At Eraneos, we believe that organizations should implement Lean IT for a simple reason: every business will become a digital business – if not already, then soon. That is why we believe every digital experience should be excellent, and that excellence is defined by capabilities rather than technology. As technology continues to progress, success is defined by an organization's ability to recognize and drive relevant innovation and harvest those technical innovations to its benefit, rather than the innovation itself.

How?

The path to building an excellent digital experience is to build high-performance IT organizations that are responsive to customer needs; that embrace agility; that do not fortify structures, but instead leverage knowledge of technology and flow efficiency to ensure application resilience and IT stability; and that stay in constant alignment with their customer's needs. These agile, yet rugged IT organizations will harvest innovations and drive change, continuously improving flow.

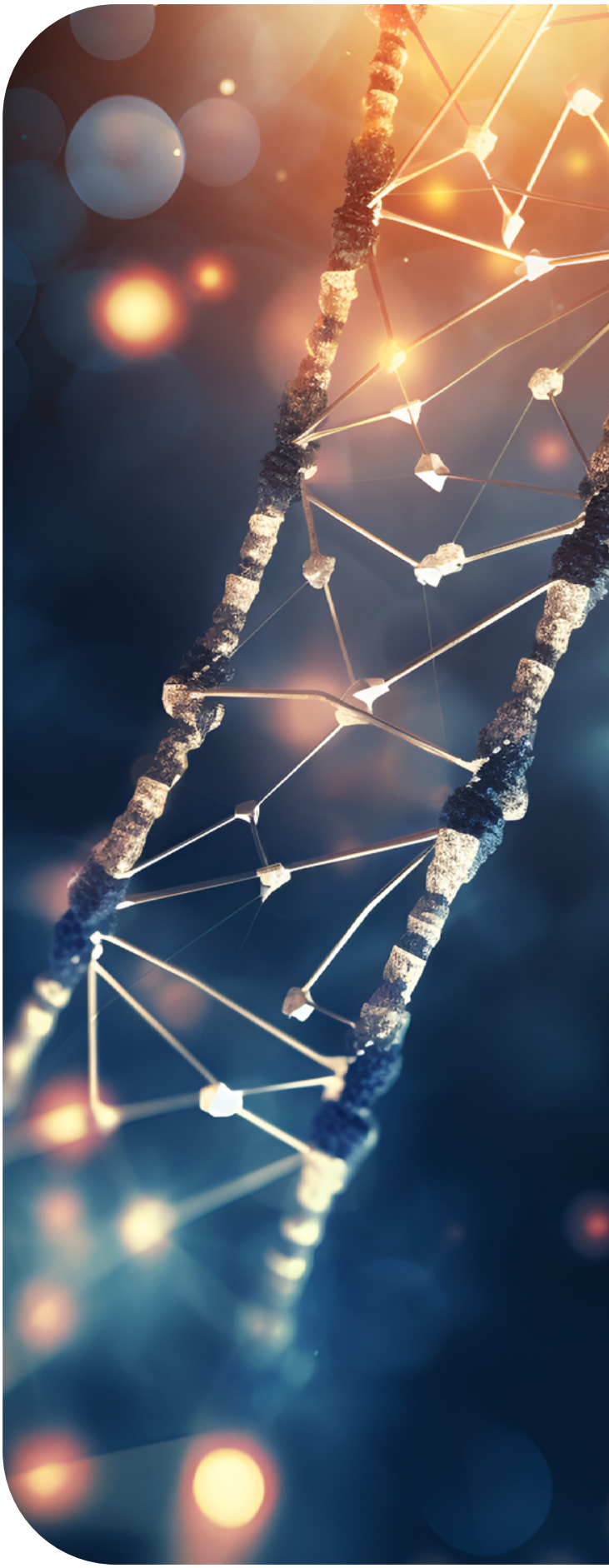
Innovation and agility are obstructed by organizational complexity. With its focus on customer value and flow efficiency, Lean IT embeds the culture and ability to constantly seek ways to identify, effectively address and reduce that complexity. This attitude and ability is what makes it possible for a team and its knowledge of IT to drive front-running innovation, even in what would previously have been considered legacy environments.

The initial steps in applying Lean IT to ITSM

Lean IT can be applied to IT Service Management in three stages. The first step is measurement: setting goals, defining KPIs and starting to assess the organization's performance. Aspects that need to be quantified include measuring lead time and the company's ability to meet deadlines, visualizing measures, and taking decisive action to improve performance. In Lean terms, this is referred to as identifying 'true north'. Bringing these metrics to the surface is the best way to drive performance improvement.

Once those overall metrics and measurements are on the table, the focus shifts to visual management. The ITSM processes can be used to identify the units of work across the teams and to ensure clarity about who is working on each one. As metrics find their way throughout the teams, they can be posted on the wall, clearly showing all the teams what it means to work together to create value for the customer. The first stage is focused on setting goals and finding true north, while the second stage is about creating and then improving flow, making the intangible IT work product visible for all to see and working towards continuously improving performance.

The third stage is about solving problems as they arise. At this point, it is time to identify problems in ITSM process, obstacles that block the barriers flow, and solve them by applying kaizen principles. Solving small problems on a daily basis and solving bigger problems in kaizen teams is an essential part of pursuing continuous improvement. As barriers are identified and removed from the process, the flow increases through the organization.



Lean IT is all about learning

Successful implementation of Lean IT to improve IT Service Management relies on a common language and a shared way of working throughout the organization. Everyone needs to have a basic understanding of IT service management and the principles of Lean IT. Training is available at various levels appropriate to the employees' roles in the organization, including leadership and coaching. Ensuring that shared knowledge and access to training is embedded in the organization is a precondition for moving forward with the implementation of Lean in an ITSM setting.

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In collaboration with **Tijs Clous**

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As a global Management & Technology Consultancy Group, Eraneos supports organizations in not only designing but successfully implementing a future-proof digital transformation strategy that can make an ever-lasting impact.

By listening to what businesses want and understanding their needs, we can fast-track and embed transformation with ease by aligning people with technology, processes and leadership, effortlessly.

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