

# The Impact of ITIL/ISO20000/BS15000 on Outsourcing Providers

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*The outsourcing market is changing with the increasing adoption by customers of the ITIL framework and the ISO20000/BS15000 standard. Many customers are using the BS15000 standard as a contractual deliverable for evaluating and selecting suppliers, with strategic implications for the structure of contracts as well as the delivery of services. This white paper looks at the typical issues that arise when being asked to deliver ISO20000 as part of a contract.*

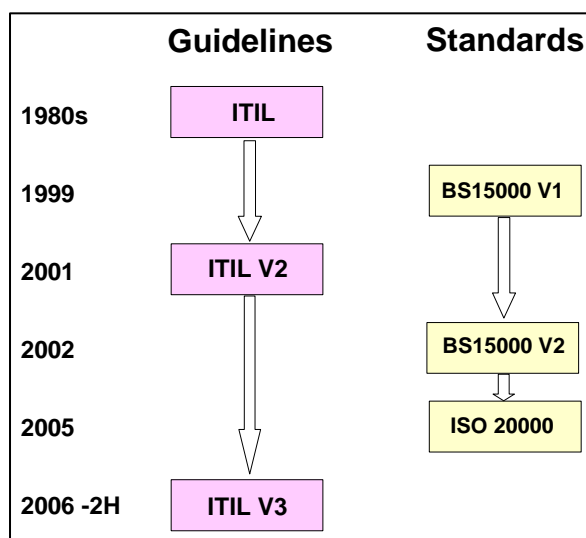
## The Evolution of IT Service Management Frameworks

To ensure we understand why outsourcing contracts are changing, we should look at the service management world and identify why it is one of the fastest growing sectors of IT. To a non-technical specialist it may look like the creation of an internal call centre for IT support. In practice it is often about culture change across the IT service delivery chain, coordination between various management processes and continual focus on business needs. To an experienced management team, it is viewed as common sense – but as we all know, there are always differences of opinion on the best way. Especially among the highly intelligent technical specialists that form the core of IT departments.

In the 1980s, a programme of work was initiated by the UK government to establish best practice in managing IT services, which evolved into the IT Infrastructure Library (ITIL) – a set of books distilled from multiple inputs as “industry best practice”. ITIL is not standing still and is currently undergoing a refresh (ITIL3) which is due to be completed in the second half of 2006. The fundamental reasoning behind ITIL is that you are given a set of guidelines, from which you can determine the appropriate ones to adopt internally. This allows a flexibility to ensure current informal practices become more formal, often creating the need to address more fundamental issues such as ownership and measurement where there are gaps.

For example, as part of service continuity we know it is a good idea to keep backups in case of equipment, software or environmental problems. It is also best practice to take those backups off-site, as well as perform a regular recovery test to ensure they work. Do you apply the same principles to the configurations of your network devices, software, telephone systems? Have you evidence of your decision as to what will and will not be covered, so you have consistency across teams and sites? Do you review that decision as the business changes? It’s common sense... but not to all.

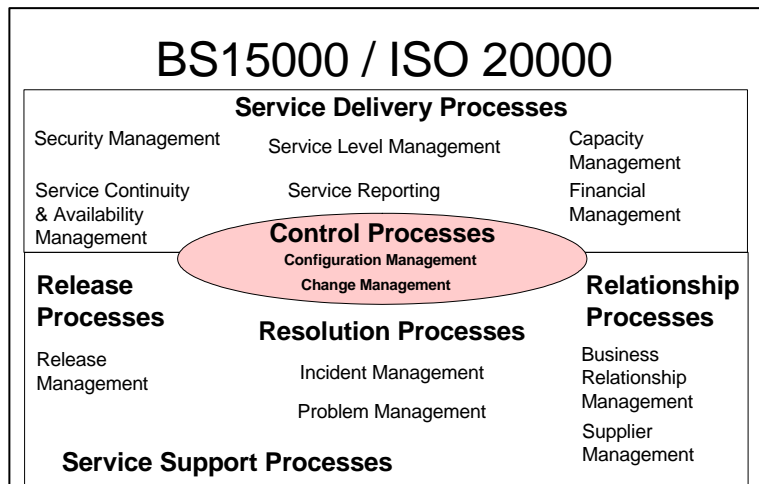
ITIL formed the basis of the BS15000 standard for service management, which was first introduced in 1999 and then updated in 2002. BS15000 then formed the basis for the international standard ISO20000 which was ratified in December 2005. To save confusion, I’ll just use ISO20000 when talking of service management standards. Now that we have an internationally accepted service management standard, what value does it give?



The Introduction of Service Management

## The Changing Requirements for Outsourced Service Provision

In the early days of IT outsourcing, it was recognised that various business drivers contributed to deciding how and what to outsource. Key factors in supplier selection could be operational costs, technical skills gap, geographic coverage, culture alignment and so on. The customer would normally set SLAs to help in the management and measurement of the provider, along with a contract detailing responsibilities. Responsibility for risk management would often stay with the customer as they had ownership from a regulatory viewpoint for areas such as business continuity. The customer also has to decide his attitude to risk and the subset of supporting systems that are critical to the business. In practice, risk management can create many problems as it can be difficult getting suppliers to sit together in a room to work on solving potential theoretical risks, especially when it was not costed, or resourced within the original contract award. The introduction of risk management by a customer becomes a supplier opportunity to enhance the relationship by providing extra value, or in some cases a rude awakening for the customer who realises what isn't covered by the contract.



**Management Processes covered by the Standards**

With the increasing amount of business process outsourcing (BPO), the outsourcer may provide software, hosting, call centre and other services to deliver a complete process. For example, running the pension policies on behalf of a finance house has many benefits as it removes the need to develop software, training, processes and capability as FSA regulations change. In this case, the outsourcer is responsible for the whole business process, (including IT) and already knows the systems, software and risk issues. They are in a good position to develop appropriate management controls for both operational and risk management. The customer doesn't have to manage multiple parties and ownership is clear. It is up to the outsourcer to manage his own suppliers effectively (as there are few providers with total capability). But how does a customer know it can trust the outsourcer to manage consistently for the lifetime of the contract?

Those organisations who have gone through a number of outsourcing contracts have a different approach to renewing contracts or selecting suppliers, often as a result of their new experience. They have found that it is necessary to be clear and detailed about management controls, specifying the type of control and the evidence they need. There is a practical problem - how do you tell experts in their field what you want as management processes? You are defeating one of the key reasons for outsourcing. You can always bring in outside expertise and consultants to assist in the procurement process (I always recommend it), but they advise while you have to decide. A previous approach to outsourcing was to buy a black box type of service and, as long as it delivered, you didn't care how it worked. In one case an IT contractor was temporarily employed by a financial services outsourcer – he had the technical skills as a systems administrator, but had been convicted of theft. If it didn't specify it in the contract, should every supplier/contractor/employee be vetted? Any security specialist will tell you that your internal threat is always the greatest. Ever heard of Sarbanes-Oxley?

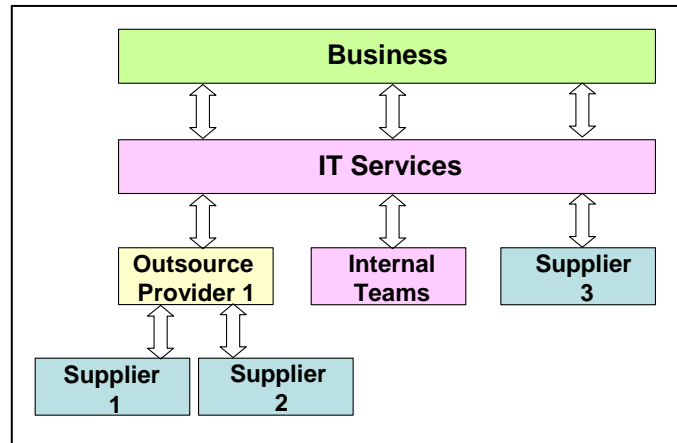
## The Value of ISO20000 From a Customer Perspective

The introduction of ISO20000 gives a tool to customers to potentially procure and manage outsource suppliers effectively, without becoming prescriptive about how the supplier delivers services. If you specify ISO20000 management as a deliverable within the contract, with associated penalties and external auditor checks to back it up, then you get the evidence of control that the business and regulators want. It becomes easier to understand the management processes, decisions and choices made about delivery of your services. You should get early warning of problems, understand gaps in supplier capability and can feel comfortable that you are being billed accurately for the agreed services. If you have multiple suppliers bidding, who all have ISO20000 certification, it is easier to differentiate as terms and jargon will be similar. In multi-party outsourcing, it becomes easier to coordinate the various suppliers, reducing the workload of management teams. The term "impact analysis" is always a good one to highlight differences in interpretation. From one viewpoint it takes less effort to award an outsourcing contract and with less risk. Alternatively, a supplier is forced to manage himself using industry best practice and auditors can verify their performance. Good, isn't it!

## From a Service Provider Perspective

Outsourcing has changed considerably in the last 10 years. Many areas are becoming commoditised, especially with the ease of providing technical services from any point across the globe. Economies of scale are needed to stay in the game, with many suppliers adopting ITIL best practice themselves as they improve their service delivery and customer interfaces. To meet many of the newer customer demands for consistency of service and flexible working, processes are continually being developed to handle pre-sales, service planning and deployment, as well as ongoing operations. Customers don't expect 100% technical service uptime to be undermined by lack of management processes. I once overheard the real reason for changing a supplier - "Our network has never gone down – but we're changing because they were the reason we failed our internal audit". Customers have matured in their understanding of good IT management and are expecting their suppliers to be improving.

Assume you already have good management controls, which are proven, robust and fit for meeting service levels. Is it a good idea to expose your management processes to a customer without having achieved ISO20000? Definitely not! The potential for misunderstanding is enormous. It could end with lots of worry on both sides and conflict which does no party any good. Even if you have an account manager who can crisis manage and smooth over difficulties, he can't change an independent audit report. However, if you aim for ISO20000, you will expose issues concerning management control internally before the customer sends in his auditor. Who is going to pay for the development of process, the administration and resourcing – you are! Because you have to! The game is changing with customers wanting to pass more risk to suppliers.



Improving the multiple management interfaces

You also have your supply partners to influence / force / change. If you don't adopt ISO20000 then you are reducing your potential market (especially ruling out any UK government contracts), as well as being commercially outmanoeuvred by rivals. Initially, it may only shut you out of the larger bids, but expect smaller customers to adopt ISO20000 as a control framework, as it saves them time and money selecting suppliers. There will always be the frustration of dealing with immature procurement teams, who want the lowest price but don't understand the value of control – but that is part of the selling process.

Let's look at the positive side for a service provider. Most are new companies or divisions, often staffed by lots of technical people who are typically project orientated. Many have grown rapidly with each new contract and absorbed new staff with different cultures. My personal experience is that conflict typically exists between commercial, project and operational teams, just as they do in customer environments. Example - customer wants a new system working on Monday, operations team say the backout plan isn't developed enough so wants it delayed, account manager gets involved who overrules saying the customer is king. In many cases the new system goes live without problems, so operationa are made to look risk adverse and "difficult". It shows up however to management teams when 80% of RFCs are emergency changes, so what use is forward planning? Why bother to have a change management process if some individuals refuse to follow it?

The more strategic thinking supplier management teams may pick up on the fact that ISO20000 gives them a proven third party framework to structure cultural and organisational change programmes. The development of ISO20000 wasn't an overnight idea – it has been 20 years in development. It may be that meeting one customer contract need is all the excuse needed to review management processes, give more focus to operational controls and align with changing customer requirements. How will any major player in the service provider marketplace survive if it can't meet the only recognised standard for service management? The greater definition of process and policy also makes it easier to have common internal processes with slight variations for specific contract needs.

There is a short term opportunity to show initiative to customers and get ahead of the other suppliers. Most outsource companies I work with are changing from technically focussed teams (networks, servers etc.) to an internal provisioning team dealing with the account teams, supported by second line technical specialists. That team needs common processes to be in place, across data centres and monitoring systems, so they can work effectively.

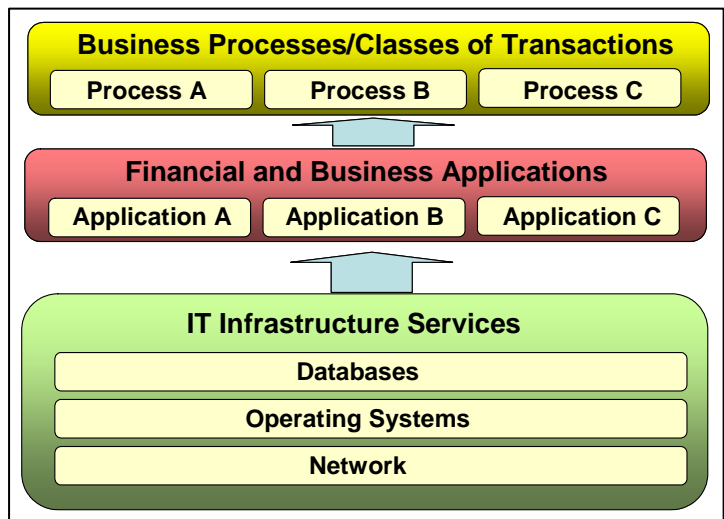
## What Are Key Issues to Deploying ISO20000

Apart from the cultural change, process development and investment in administration systems, you may find that you still face the challenge that has eluded many organisations. You have to overcome the difficult issue of asset and configuration management. The two control processes identified over the last 20 years that all others depend on are change and configuration management. In a simplified overview, it's how you know what you have, what it does (at technical, service and business levels) and how you control change to those things. Once you have control of the assets, it then enables you to link them to show how services are constructed and delivered. Well implemented change and configuration management means:

- The impact of changes to system hardware or software can be predicted
- Remote changes can be planned by centralised teams in a consistent way without site surveys
- Risk plans such as business continuity are updated as systems are implemented
- Billing for services can be linked to changes for better accuracy
- Incidents can be managed better and service restoration times improved
- Regulators/auditors can see evidence of control traced directly to changes in technical systems
- Software licences can be reconciled and appropriate for use
- Opportunities for consolidation of software and hardware are easier to identify

These are all desirable goals without ISO20000, but in practice require coordination between teams so there is one set of knowledge about servers, rather than multiple ones. There are network diagrams which all show key device connections, as well as the network topology. The location and status of all equipment should be known, whether it is live, unused, waiting to decommissioned, reserved for a future project and so on. Any authorised person can easily understand the impact of installing a new server in a rack – on power/cooling, network traffic, other servers, other applications, customer services, billing and so on.

So ISO20000 is going to force you to overcome current challenges which are often in the “too difficult” category. You can probably understand why Square Mile focuses on asset and configuration management. It's a combination of developing a change programme that is tied directly to supporting toolsets, as well as process change and cultural development. You will also have to set delivery dates for when the process and the underlying toolsets will be in place, otherwise all the other process or work streams will be delayed. We have found through experience that if you don't establish control of the basics, then higher level controls will be compromised. For instance, if you don't have a maintained list of hardware in your data centre you can't ensure that ownership is understood. If you have lots of lists, you have the problem of coordinating them. Our view is that to be truly effective, change must be managed at the physical infrastructure level before you try at the logical or system level. Why buy mirrored servers and SANS if the UPS are tripping due to overload, or the equipment is too hot.



**Control your infrastructure with a strong foundation**

Control your infrastructure with a strong foundation

## In conclusion

This white paper has looked at the opportunities and issues that ITIL / BS15000/ ISO20000 presents for those involved in outsourcing decisions and service delivery. The ISO20000 standard is a well developed framework to enable integrated management processes and controls. Whether you are a customer or a service provider, evidence of management controls covering IT is going to be in greater demand. In practice, it is rare to spend time and money developing better controls, unless you really understand why it is important. It has taken external drivers such as Sarbanes-Oxley and regulators to force the development of change processes. When you look at the preparation work that has to be done, do you expect the existing team to implement the cultural, system and process changes required without specialist help or tools?

## The Author

David Cuthbertson is a founding director of Square Mile Systems, a UK computer services company based in Cirencester, England. He is a leading industry speaker on best practice and applying configuration management techniques to ICT infrastructure. He is also chairman of the BCS-SMSG (Service Management Specialist Group), as well as chairing the Board of Governors for the Academy of IT, a further education initiative developing vocational training with a service management theme. David is currently a member of the Institute of Directors and the BCS ELITE Group. He was previously a director of the NOA, a trade association specialising in outsourcing best practice.

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