ITIL® Poster Series #46
Value and Marketing Mindset

Good e-Learning

Introduction

Successful change management replies on effective and efficient process particularly when authorizing a change. In order to fulfil the requirements of authorization for change management, it is necessary to develop a pragmatic approach to authorization that does not become overly bureaucratic or introduce delays to successful change process adoption. If the process of authorization is perceived to be a blocker, then this will encourage people to by-pass the process and implement unauthorized changes, which will most likely be detrimental in the long term. In this presentation, we provide an example of a change authorization model, but this will of course, need to be adapted to suit your individual business needs.

In order to attribute value, the service provider needs to understand three specific inputs:
- *What services were provided?*
- *What did the services achieve?*
- *What was their cost, or the price that was paid?*

The answer to these questions will enable the service provider to demonstrate value to the customer. But the service provider will always be subject to the customer's perception of value.

If we consider value from the perspective of the customer, then there are a number of factors that contribute to the understanding of value. This is shown in Figure 2.4.

Calculating value can sometimes be a straightforward financial calculation: Does the service achieve what is required for an appropriate cost? If the cost does not impact profitability and the price remains competitive, then the service will be valuable.

As you can see, value is defined in terms of the business outcomes achieved and the customer preferences and perception of what was delivered.

Customers' perceptions are influenced by the attributes of the service, their present or prior experiences, and the image or market position of the organization.

Preferences and perceptions are the basis for selecting one service provider over another, and often the more intangible the value, the more important the definitions and differentiation of value becomes.

Customers must have a value on which they will base their perception of value. This is known as the reference value. It is the perception mentioned previously, based on present or prior experience. The gains that are made from utilizing the service are perceived as a positive difference, an addition to the reference value. In an ideal situation, this would form the perception of value for the customer. But utilizing the service is not always perceived as a positive experience. An outage will create a negative difference, which detracts from the existing positive perception. This is shown as the net difference.

So in the final analysis, the perception of the economic value of a service will be the original reference value and the net difference. Any negative perception may have a significant impact on the overall perception of the service.

When developing the strategy for an IT service provider, it is useful to have a "marketing mind-set." Marketing in this context refers not only to advertising services to influence customer perception, but also to understanding the customer's context and requirements and ensuring that services are geared to meeting the outcomes that are important to the customer. Rather than focusing inward on the production of services, there is a need to look from the outside in, from the customer's perspective.

A marketing mind-set begins with simple questions:
- *What is our business?*
- *Who is our customer?*
- *What does the customer value?*
- *Who depends on our services?*
- *How do they use our services?*
- *Why are our services valuable to them?*

To understand value chains and value realization, it is necessary to recognize that to be delivered, a service comprises multiple components. Each component is managed by a department within IT. Money is spent to procure, develop, and maintain each component, and each department manages their components to make sure they are operating correctly and therefore adding value to the service. Each piece of the jigsaw needs to make a positive contribution in terms of value added. The amount spent on the component should be less than the value it adds to the service.

Unfortunately, the true value can be calculated only after the value has been realized. This will only occur when the customer achieves its desired outcome.

If the value realized is not greater than the money spent, then the service provider has not added any value. It has spent money and in effect made a loss.

If IT wants to show it is adding value, it needs to link its activities to where the business realizes value. If it cannot do this, it will be perceived as a money spending organization. The IT money pit!
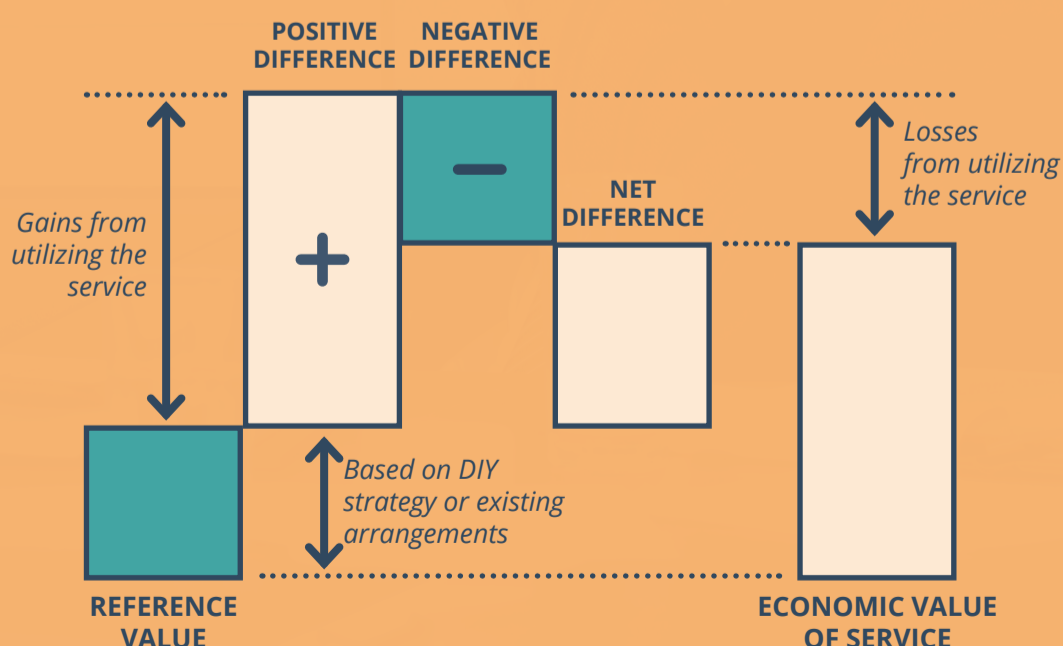
The only way to improve IT's position is to reduce the amount of money thrown into the pit and cut costs! This will result in IT's value reducing further.

The only way out of this destructive loop is to link services to business outcomes and show how each activity within IT helps to achieve each business outcome.

It is difficult to prove the value that has been added, particularly if there is no baseline or experience to benchmark against. Attempts can be made to explain what is being done to achieve the outcome, but a customer may simply view this as a way to drive up the price.

Ideally, the provider should focus on building a model where the contribution of each internal service can be measured and then link this to the achievement of the customer's business outcome.

FIGURE 3.7
HOW CUSTOMERS PERCEIVE VALUE

POSITIVE DIFFERENCE NEGATIVE DIFFERENCE

NET DIFFERENCE

−

+

Gains from utilizing the service

Losses from utilizing the service

Based on DIY strategy or existing arrangements

REFERENCE VALUE

ECONOMIC VALUE OF SERVICE

EXAMPLE OF AN INTERNAL SERVICE

Understanding the contribution of an internal service can present some surprises. Let's consider an example outside of IT.

It was once the case that Formula One cars would be stripped down after practice and every component examined. The purpose was to try to ensure that as reliable a car as possible could be put on the starting grid the following day.

A change in the rules of Formula One dictated that the cars would be put into a secure compound overnight and the mechanics would not have access to them. There were many predictions of mayhem, of many cars failing to finish the race. In fact, the opposite happened. Car failure during the race became a much rarer event.

The activity of stripping the cars down and rebuilding them was simply money spent rather than value added.

It is important that the IT provider understands the contribution provided by the internal service in terms of the utility or warranty it provides. This needs to be recognized in the context of the output the customer will receive and therefore the outcome they can achieve. Their perception of the value of the service will be positively influenced.

Capturing value will be the basis for effective communication of utility and warranty to improve customer perception of value and to provide a structure for the definition of service packages.