ITIL Through the Looking Glass

What we can all learn from scaling down ITIL

Rob England

Two Hills Ltd

May 2006

Version 2

Making large-organisation best practices fit in Small to Medium Enterprises takes us into an Alice-in-Wonderland world where nothing is quite the same. What loomed large has vanished and what was trivial is suddenly enormous. In Timothy Leary fashion [you kids look him up on Google] we can learn much about our everyday reality by getting outside it for a change. "Trip out" with this presentation and see your own Service Management world in a whole new way.

If you want to make your own notes:

Down the rabbit hole: small business is different.

Owner/managers

Risks

Strategy and planning

Process

Sources of IP

Village culture

Specialists

Tribes

If you want to make your own notes:

What small businesses care about

Costs

Growth

Survival

Least practice

Achievable

Applicable

Acceptable

The BSF Common Sense Filter

Service Level Management

Change

Configuration

Other processes

No tribes

Takeaways

Taking it to the business

Cultural fit

Best practice as a sacred cow

Introduction

This paper seeks to bring a new perspective to those using ITIL by looking at it from the point of view of SMEs, on the theory advanced by the likes of Timothy Leary that altered perceptions teach us about ordinary reality. Put another way, an insight into my world may show you something you can use in your day job. We will look at the differences, then at what small businesses need from ITIL, and finally what Two Hills thinks ITIL looks like to meet those needs. We close by highlighting a few points that may be useful to you working with ITIL in the corporate world.

Down the rabbit hole: small business is different.

We will focus on Small Business, defined by the NZ government[1] as those with less than 20 employees. These organisations have some special characteristics. When we shift from a corporate to a SME perspective, things get weird. What was small now looms large. What matters to corporates is now irrelevant.

Here are some differences:

Owner/managers

Foremost is that most are managed by their owners, who are generally "amateur" managers.

Risks

SMEs take daily risks that would appal corporate managers. This stems in part from the entrepreneurial nature of the managers, but more from necessity: there simply are not the resources to devote to risk mitigation. Telling a small business owner that they should address a particular risk is like telling a wartime bomber pilot to give up smoking.

Strategy and planning

The lack of strategy and planning is amazing to those used to the corporate world. "The root cause of either small business failure or poor performance is almost invariably a lack of management attention to strategic issues"[2]. Some owner/managers are not even aware of the deficiency; others just have more pressing priorities. "SMEs are likely only to undertake formal planning when faced with some major change or crisis."[3]

Process

One reason small businesses don't plan much is the competitive advantage of being flexible and nimble.

"Recent research has shown that clear links between an organisation's approach to strategic planning and its business performance exist in small as well as large organisations… However these findings leave SMEs in particular with the challenge of matching the requirement for an improved strategic planning processes [sic] with the competitive advantage associated with being a 'simple' and highly responsive organisation" [4].

"Formal planning among successful entrepreneurs was rare, at least in the early stages of their business development. ….. their greatest contribution to their business venture was the ability to provide vision and focus." [5]

Not only are many small businesses culturally opposed to process ("red tape"), but it actively undermines one of their key competitive differentiators over their larger competitors: agility.

Sources of IP

SME owner/managers listen to customers and peers, not consultants. One survey reported 83% of sellers getting small business customers thru referrals.[6] In a Canadian government survey[7] "When asked to rate various information sources in terms of their importance to their business as a source of business information, [small] business managers pointed most often, by far, to 'informal' sources – their clients, suppliers and colleagues:

- ❑ 86% identified clients as important (most say *very* important)
- ❑ 73% suppliers
- ❑ 56% business managers and colleagues

"Business managers were divided in terms of the importance of three other potential sources – banks and other financial institutions, industry or trade associations, and the media. Approximately equal numbers view these as important and unimportant. For all other potential information sources, more people gave low ratings than high ones. Private sector consultants ranked lowest." Lower than politicians.

Village culture

Organisational structures tend to be informal and dynamic. Communications are equally informal and ad-hoc. People sit together and eat together. Decisions are more consensual (people have to get along).

In comparison, corporate culture looks more like city culture - impersonal, hustling and abrasive - and small business people tend to take the same view of it that rural people take of the city.

Specialists

Knowledge tends to be "broad and shallow". Few have the luxury of specialising except in critical operational areas that differentiate the company.

If we ask an organisation to spend 5% on a new process, e.g. quality management: in a large organisation that means allocating 5% of the people; in a small organisation that means 5% of the existing staff's *time.* Those people will not be able to apply themselves totally to making a study of the new discipline. They will find an hour or two a week for it.

Tribes

There are several rules-of-thumb of group dynamics that say a group of people will split into two when it reaches somewhere between 20 and 100 people depending on the theory. A small business of less than 20 people does not usually suffer from "us and them" – at least it does not need to. In particular, there is almost never an IT unit as a distinct person or group, unless it is outsourced to an external service provider.

What small businesses care about

Large corporates could be characterised as caring about profit, market-share and risk-control; and government characterised as pursuing policy compliance, public service and allocation of funds. What do small businesses care about?

Costs

Small businesses are typically chronically short of time and money. Contrary to popular belief, SMEs are in many ways quite in-efficient, because of the lack of economies of scale and the lack of specialisation and process optimisation.

They make up for it by minimising costs in general and waste in particular (it is the owner's money), and by doing entirely without some processes (see Risk).

Growth

Small businesses are often characterised as being happy just the way they are but this is generally not so. In the same Canadian survey, "88% said that growth or expansion over the next few years was important to their business (55% said very important)".

Survival

Small businesses typically operate on narrow margins and low cash reserves. They lack the diversity and momentum of larger businesses. They are tossed about on the seas of change, and often are completely absorbed in just staying afloat.

Least practice

What does best practice mean to small businesses? Often: not much.

For any methodology to work for them it needs to be three things:

Achievable

They do not have the resources to implement best practice everywhere. A misguided pursuit of best practice can wipe out a business by diverting essential funds and distracting key people. Best practice is only useful to SMEs where they are:

- Highly competitive industries that differentiate on quality. The classic example is of course the motor vehicle manufacturers, the origin of a lot of the theory of Best Practice.

- Using complex processes that need improvement: where existing processes are as extensive as Best Practice ones, but sub-optimal in design. They may never have been designed but rather grew organically. Re-engineering them will bring efficiencies that pay for the effort.

- Service providers who deal in life and health: medicine makers, medical centres, rescue services, social welfare. Even in this instance, it is the core services that must be delivered to Best Practice. Many of these organisations are chronically under-resourced and so something other than best practice should always be a considered option for ancillary and supporting processes.

- Providers to clients or partners, who require compliance to a Best Practice standard.

- Dangerous or unpopular industries: aerospace, aircraft, nuclear power, chemical engineering, fuel storage, genetic engineering, explosives. Even in situations where human life is not endangered the public relations risk of an error is too high.

In all other cases, SMEs are generally too resource-constrained and pragmatic to find a business case for best practices.

It may not have escaped your notice that this argument applies to start-ups and resource-constrained organisations of any size. Very few start-ups are so well funded that their systems can be anything more than the bare minimum needed to get off the ground. Once the business has got past the initial cashflow trough and revenue starts to stabilise, only then do they have the leisure of improving process. They run the risk of destabilising the business again unless they are careful to work on processes only in domains that will deliver a sufficient benefit to the business.

Likewise, many organisations know what they would like to be doing but don't have the resources to do it. Ill-conceived attempts to pursue best practice at this time could destroy the business rather than helping it.

Applicable

Many methodologies, including ITIL, have aspects that are not applicable to SMEs:

- They set out to be comprehensive and end up being large and complex. They do not scale down. The new ITIL "small-scale" book[8] suffers from this. It will work for small corporates; it will struggle for acceptance among small businesses.

- They focus on doing things right, and assume continuous improvement. Small businesses stop at "good enough".

- There is a plethora of roles. The answer is usually that people take on multiple roles, but in a small business someone might end up wearing ten hats, which is ridiculous even when figuratively speaking.

- They take a lot of time. It is entirely conceivable that a small business will devote one person for two hours a week to implementing a methodology. What can be achieved in 100 hours a *year*?

- They require expensive external consulting.

- The whole concept of aligning IT with the business is mystifying to a small business (see Tribes), except where IT is outsourced to an external provider.

Acceptable

Small business culture is different. Something like ITIL alienates many small business people:

- Formality is seen to stifle flexibility and creativity. We need to "lighten up".

- Prescription rather than guidance. As Craig Pattison put it: "they want an Auntie not a Mum".

- Paperwork. Small business people communicate by looking up from their desk.

- Adversarial nature (SLA negotiation, incident manager vs problem manager ...).

- Management by measurement. Small businesses prefer to manage people on intuition and feelings.

- Perfectionism over pragmatism. Small business needs to "do it'll-do".

- Jargon, biz-speak and verbosity.

- Learning curve: a big body of underpinning theory. Small businesses just want the answers.

- Time and money commitment. We need to get real.

- Use of specialist consultants ("suits").

- Measurement against benchmarks: a judgemental approach rather than a supportive one. All small businesses will fall short so they need to be encouraged to achieve whatever they can.

- Technology centric. This is not an ITIL failing, but a lot of other advice for small businesses in the IT arena is totally fixated on what technology they should have and how it goes together. No: *__all__* small-business-specific IT-advice does this. It is geeks mis-communicating with entrepreneurs and wondering why nobody listens.

The BSF Common Sense Filter

Two Hills has come up with a set of 14 transforms for filtering IP so that whatever comes out the other side is achievable, applicable and acceptable to small business. We call it the BSF.

What does ITIL look like thru the BSF? This audience will be waiting for the answer to this question.

BSF: Common Sense Filter
1. No Separation. "IT is the business"
2. Rationalisation of roles. "too many chiefs".
3. Rationalisation of workload. "cut the red tape"
4. Evolution over certification. "boosting not bashing".
5. Top-down thinking. "out of the weeds"
6. Pragmatic technology. "police the geeks"
7. Translation. "plain English"
8. Discovered alternatives. "horse's mouth"
9. Measurement dilemma. "fact meets feelings"
10. Informal freedom. "lighten up"
11. Depth.
12. Process centric.
13. Occam's Razor
14. Rule of 3

Service Level Management

SLM not about us and them: there is no "tribal effect". So there is less measurement and reporting and more defining the catalog and focusing efforts on services. We prefer to call SLAs Service Level *Definitions.* Awareness of the service-centric mentality is important. So too is awareness of the need for planning.

Change

We have boiled Change Management down to a change log, a CAB, and moving the organisation through Pink Elephant's three levels of change maturity:

- Know about changes

- Know about them before they happen

- Have a say in whether they happen

Configuration

This will generate debate, but we think pragmatism dictates that Configuration Management boils down to a financial asset register and the rest stored as "him over there": all the relationships and impact analysis are in someone's head.

Other processes

In general processes are stripped of much formal process. Most of the other processes focus on having an Owner, making plans, aligning the process with the business strategy (and the need to have one of those), and making

forecasts to cope with growth and reduce the costs of surprises. Measurement is limited to a few basic KPIs to ensure the process is working.

With some processes, we aim for creating awareness that the process exists and getting ownership so somebody thinks about it. Examples are continuity and capacity.

No tribes

Perhaps the most fundamental difference is that there is no IT, so it makes little sense to talk about service management in the context of IT services delivered to the business. Service management is about managing all services, whether delivered to staff, partners or customers.

Likewise the business is too small for IT to have its own processes: so change management is about business change, continuity is about business continuity, security includes physical as well as computer security, and so on.

We cannot have a methodology that only talks about IT: we have to deal with the business as a whole. Perhaps ITIL for small business should be called BILL: the Business Infrastructure Library (Least practice).

After further processing that we don't have time to cover here, our process map looks like this (so far):

| Governance | Strategic | Balanced Scorecard | Business planning | Knowledge | Risk and compliance | | Business continuity | Partners |
| | Tactical | Legal | Audit | Monitoring | Quality assurance | Change | CoPr | Project Management |

Solutions	Operations	People	Finance	Sales	Marketing	Projects	Computing	
Solutions	Operations	People	Finance	Sales			Computing	
Requirements		Policy	Financial plan	Customer (CRM)			Computing Plan	
Acquisition	Value chain	People plan	Budget				Assessment	
Development	Operations plan	Org structure	Tax				Governance	
Implementation	Supply	Safety and health	AP				Architecture	
Maintenance	Production	Culture	AR				Security	
	Distribution	Development	Payroll				Release	
	Stock control	Incentive	Financial control				Provisioning	
	TOM	Recruitment	Investment				IT Support	
	IT Production	Deployment	Assets				Information	
		Appraisal						
		Reorganisation						
		Termination						

| Service | Service Levels | Service Desk / Inc | Problem | Availability | CSIP | User satisfaction | Capacity |

version 22

Takeaways

Taking it to the business

In this small-business model, many ITIL processes reside in the business (something we are just starting to see in the corporate world too). Perhaps small business can show the way to bringing Service Management to the whole organisation.

CEOs consistently list dealing with change as one of their top issues. Why don't they have a Chief Change Officer? Why does the Change Manager sit somewhere one or two levels below the CIO?

If "IT is the business" why doesn't the COO run IT production?

Most of all why not peel Service Management off from IT and provide it as a distinct discipline within the business? We are seeing it commonly with service desks: we will see it more often with the whole SM domain.

Cultural fit

Small businesses are not the only environment where the implied ITIL culture does not fit. Look at your own organisation's culture (the way we do things). Perhaps less emphasis on management by numbers would help acceptance of ITIL, for example.

Best practice as a sacred cow

It is taken as a given that organisations want to achieve best practice in everything they do and an organisation that doesn't is somehow less worthy than those that do. This should not be the case.

Pursuing Best Practice is a strategic decision, which should be taken when there is an agreed ROI (tangible or intangible) for the resource investment required to get there. Not everyone can afford or wants best practice.

We fully support best practices for those organisations that have the commitment and resources and reason to adopt best practice. For those who do not, something more pragmatic is required, which can be distilled from best practice as well as from legislative requirements and other sources.

That is what Two Hills is working on. Watch this space.

[1] *SMEs in New Zealand: Structure and Dynamics – 2005*
http://www.med.govt.nz/templates/MultipageDocumentTOC____2806.aspx

[2] *The performance and competitive advantage of small firms: a management perspective*, Jennings and Beaver, International Small Business Journal 15(2), 1997

[3] *Business Strategy – do SMEs face special problems?*, Frizelle, Institute for Manufacturing, University of Cambridge, MANUFACTURING INFORMATION SYSTEMS: Proceedings of The Fourth SMESME International Conference http://iprod.auc.dk/sme2001/paper/frizelle.pdf

[4] *Balanced scorecard implementation in SMEs: reflection in literature and practice*, Andersen, Cobbold and Lawrie, 2GC Ltd, SMESME Conference, Copenhagen, May 2001

[5] *Planning and Growth Characteristics of Small Business Owner-Managers*, Mazzarol, Centre for Entrepreneurial Management and Innovation (CEMI), University of Western Australia

[6] *November 2005 Survey "Selling to Small Businesses"*, www.smallbiztrends.com

[7] *Small Business Information Needs Assessment Survey: Report to Industry Canada*, February 2001

[8] *ITIL Small-scale Implementation*, Office of Government Commerce, The Stationery Office Books, 2006