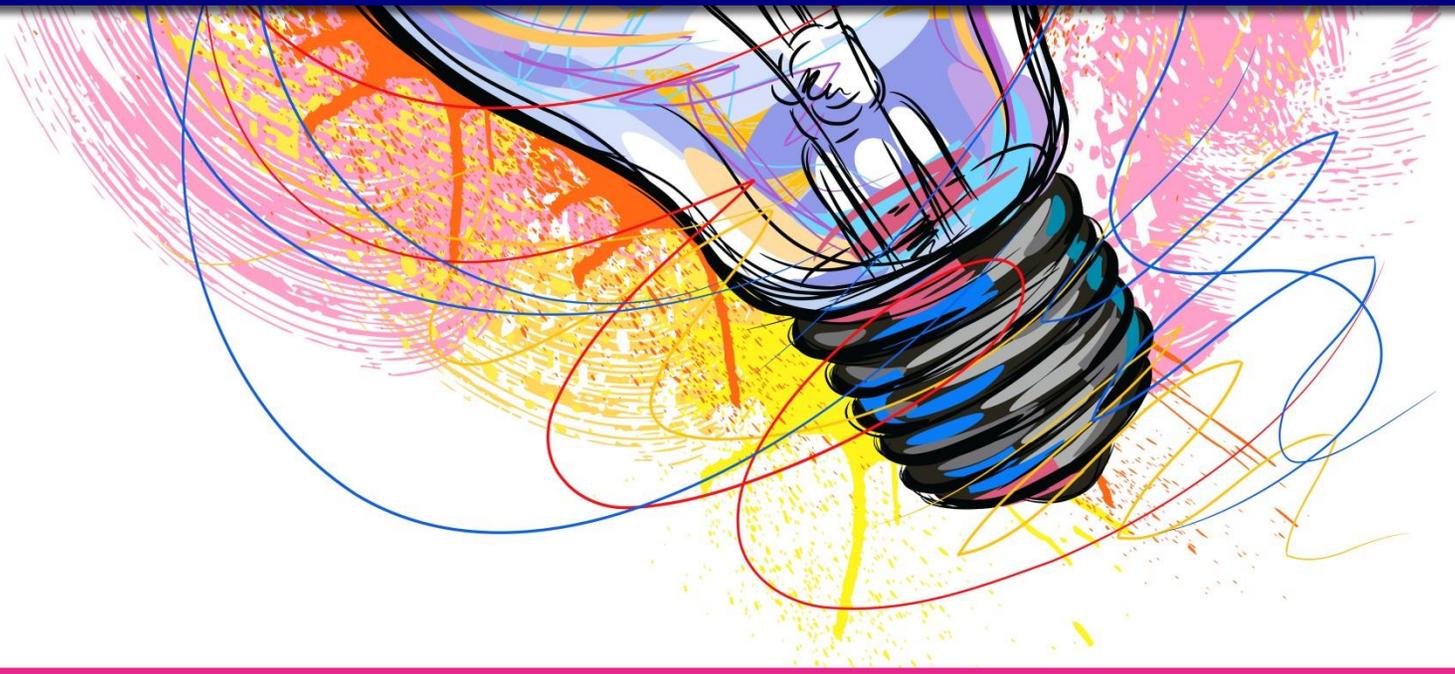


PINK ELEPHANT  
THOUGHT LEADERSHIP WHITE PAPER



# Managing Complex IT Value Streams

## Outcomes From The Pink Think Tank 2014





### Executive Summary

The goal of the Pink Think Tank is to address a major question facing the IT Service Management (ITSM) industry and come up with pragmatic actionable guidance. The primary role is to come up with good advice for today. We look for the serious questions that may well be too hard or too unfashionable to get the attention they deserve, the questions that we think are truly the most important for our industry. The “elephant in the room”, as it were.

This year we decided to look at the current and growing challenge of managing increasingly-complex multi-supplier IT value streams. To achieve this objective a small group of individuals was selected from a long list of potential candidates with a range of perspectives.

The team defined the problem, then explored the implications, and finally looked at what advice the group could offer the community.

The key issue or problem statement was that internal IT organizations are experiencing two major pressure points which are contributing to growing complexity of suppliers in the IT value stream: “shadow IT” from above, and commoditized “cloud” suppliers from below. The suppliers and the business are squeezing IT, because IT is perceived as slow to respond and the business has increasing choices from an increasing number of suppliers to go around IT. Suppliers have become very good at managing commoditized environments.

The way the business uses information is being forced to change, and must change quickly as a competitive competence. In most cases traditional IT is not ready to address the shift. Everything that IT has been doing in the past is now no longer enough. In these complex value streams, IT is susceptible to new emergent behaviors, possibly leading to unforeseen scenarios – “black swans”.

Most organizations are far from ready to deal with this growing complexity that they already find themselves in. They have yet to successfully address the complexity and non-standardization of practice within internal IT groups, let alone address the integration of multiple third-party suppliers. In fact, rather than moving forward with improvements around Supplier Management and Supplier Integration, research showed that organizations are in fact regressing, or have no plans to address this issue.



### Executive Summary

The evolving nature of multi-supplier models drives changes to how IT is organized and managed. Suppliers will develop the service solutions and supporting tools that an individual organization cannot do on its own. The drivers for the multi-sourcing model can be cost and/or business agility and the solution must be balanced across these.

The future is IT Governance, Service Management and Assurance: the trend is for IT to pass more execution of both Build and Run to the business and to external suppliers. IT's Run role will shift to being the steward of the organization's information value: performing brokerage, advisory, governance, and Continual Service Improvement (CSI) activities. IT needs to aim to be the trusted advisor for the use of technology across the enterprise.

Senior leaders need to understand the challenges presented by current sourcing trends, and realize more than ever that strong governance policies, frameworks, structures and roles which oversee both internal and external IT functions, need to be established to manage this current and growing complexity. Governance provides the boundaries to support business innovation, increase operational stability, and drive flexible solutions.

At a management or process level, while organizations have been focusing on ITSM for decades, very few organizations have moved beyond Service Operations and Service Transition process areas. A key recommendation from the Pink Think Tank is that organizations need to shift their focus and CSI improvements beyond the typical aspects of Incident and Change Management to areas which directly address these challenges; Demand, Service Portfolio, Service Level Management, Business Relationship Management, and of course Supplier Management.

This paper summarizes the Think Tank's ideas on the focus areas, activities, immediate tactics and ongoing advice to ensure an organization is ready and equipped to deal with the challenges presented by complex multi-supplier sourcing of the IT value stream, whether those challenges are present now or will be in the organization's future.



### Executive Summary

The findings are presented in detail in a series of more Pink Elephant research papers. There will be discussion of the governance implications of these findings at the 3<sup>rd</sup> Annual IT Service Management Leadership Forum, “PinkFORUM14”, in August 2014 ([www.pinkelephant.com/PinkFORUM14](http://www.pinkelephant.com/PinkFORUM14)) and will feed into another Pink Think Tank convened in 2015 at the 19<sup>th</sup> Annual International IT Service Management Conference & Exhibition, “Pink15”, in February 2015 ([www.pinkelephant.com/Pink15](http://www.pinkelephant.com/Pink15)).



**Troy DuMoulin – VP, Research, Innovation & Product Development, Pink Elephant**



**Rob England – ITSM Consultant & Commentator**



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### 1. Pink Think Tank 2014

This year Pink Elephant held its first Pink Think Tank (“PTT14”). In keeping with Pink Elephant’s mission to “Research, Document and Promote Best Practices” the goal of the Pink Think Tank is to address a major question facing the ITSM industry, and come up with pragmatic actionable guidance. The primary role is not to gaze into the future; it is to come up with good advice for today. Equally, the Pink Think Tank is not focused on the “hot” issues that are front of mind in the media at any moment; we look for the serious questions that may well be too hard or too unfashionable to get the attention they deserve, the questions that we think are truly the most important for our industry. The “elephant in the room”, as it were.

At PTT14 we decided to look at the current and growing challenge of managing increasingly-complex multi-supplier IT value streams. To achieve this objective a small group of individuals was selected from a long list of potential candidates based on their published thought leadership which addressed some elements of this challenge. We strove for a range of perspectives, with people representing the ITIL® “establishment”, *itSMF*, the skeptical, cultural change, Managed Systems Integrator (MSI) service provider, cloud, leadership/CIO, architecture, and service desk.



The Think Tank members were:



Facilitated By **Jack Probst**  
*itSMF USA President, Principal Consultant, Pink Elephant, USA*



**Rob England**  
Author, Managing Director, Two Hills Limited, New Zealand



**Troy DuMoulin**  
VP, Research, Innovation & Product Development, Pink Elephant, Canada



**Charles T. Betz**  
Director of Strategy & Innovation, Signature Client Group, AT&T Global Business Services, USA



**David Cannon**  
ITIL Author & VP, I&O Consulting, Forrester Research, USA



**Karen Ferris**  
Director, Macanta Consulting, Australia



**Rodrigo Flores**  
ITIL & ITSM Author, Managing Director, ACP, Accenture Cloud, USA



**Charles Araujo**  
Founder, The IT Transformation Institute, USA



**James Finister**  
European SIAM Lead, Tata Consultancy Services, UK



Unfortunately, Rodrigo Flores was unable to join us at the last moment. We missed Rodrigo's alternative view, but we asked ourselves "What would Rodrigo say?" Going into this Think Tank workshop, every member understood that the goal was not only to debate the problem, but also to offer the industry practical guidance on how to address the challenge. To do this, we defined the problem, then explored the implications, and finally looked at what advice the group could offer the community. Because we choose the hardest questions, you won't find glib formulaic solutions: we can only provide strategic directions, and sometimes even more questions that more closely direct your attention on the problem so that you may better explore your own solutions.

A high level overview of the outcomes was presented at the Pink14 event. This initial presentation deck is on SlideShare at [www.slideshare.net/twohills/pink-think-tank-2014-v4-31316654](http://www.slideshare.net/twohills/pink-think-tank-2014-v4-31316654)

## 2. Multi-Supplier Value Streams

The issue we looked at is the value stream that IT provides to the business ("the value chain", "the value network" – we carefully avoided debating the different terms for the interconnecting activities of multiple entities that together deliver a service); and how that value stream is increasingly put together from sub-services provided by multiple external suppliers (vendors, service providers, outsourcers); all of which need to be integrated or aggregated into a single coherent value stream that delivers the service to its customers to the agreed service levels. This is not your Dad's IT.

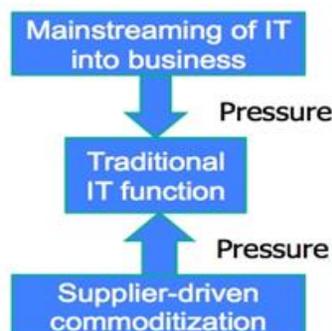
Some example scenarios are:

- Ecommerce using Amazon, and Akamai for internet caching
- Service desk outsourcer, and application hosting
- A third party data centre, and managed Network Operations Centre (NOC)
- Full service Managed Systems Integrator (MSI) outsourcer



## 3. The Squeeze

The key issue or problem statement was nicknamed “The Squeeze”. It describes the fact that internal IT organizations are experiencing two major pressure points which are contributing to growing complexity of suppliers in the IT value stream: “shadow IT” from above, and commoditized “cloud” suppliers from below.



**Top Down:** From the top down, business units are engaging in business process outsourcing such as payroll, finance, supply chain or HR where traditional IT systems are now part of packaged supplier relationship agreements, and which are being entered into directly by the business with or without internal IT involvement.

**Bottom Up:** At the same time, traditional application, infrastructure, and network environments are increasingly becoming commoditized. They are either being moved to cloud based Platform as a Service (PaaS) and Software as a Service (SaaS) solutions; or they are being outsourced to Managed Service Providers who promise “Your mess for less”.



The business and technology landscaping is shifting rapidly. The suppliers and the business are squeezing IT because IT is perceived as slow to respond and the business has increasing choices from an increasing number of suppliers to go around IT. Suppliers have become very good at managing commoditized environments: they can do large chunks of your job more efficiently and effectively. As David Cannon put it, IT departments are at risk of ending up either in the basement (relegated to a low-value back-office function) or the cloud (outsourced). The end result of this is the need to dynamically manage a complex multi-supplier ecosystem. The state of IT governance maturity and specifically Supplier Management is woefully inadequate to deal with this issue.

“

*PaaS: classic data center technology is becoming virtualized (infrastructure is now software).*

*SaaS: generally available enterprise applications such as email, collaboration, or CRM suites do not provide strategic advantage or market differentiation. Outsource these IT services to third parties.*

”

This drove the declaration at the Pink Think Tank from James Finister – as an outside observer of many organizations – that “You’re not ready”.

#### 4. You’re Not Ready

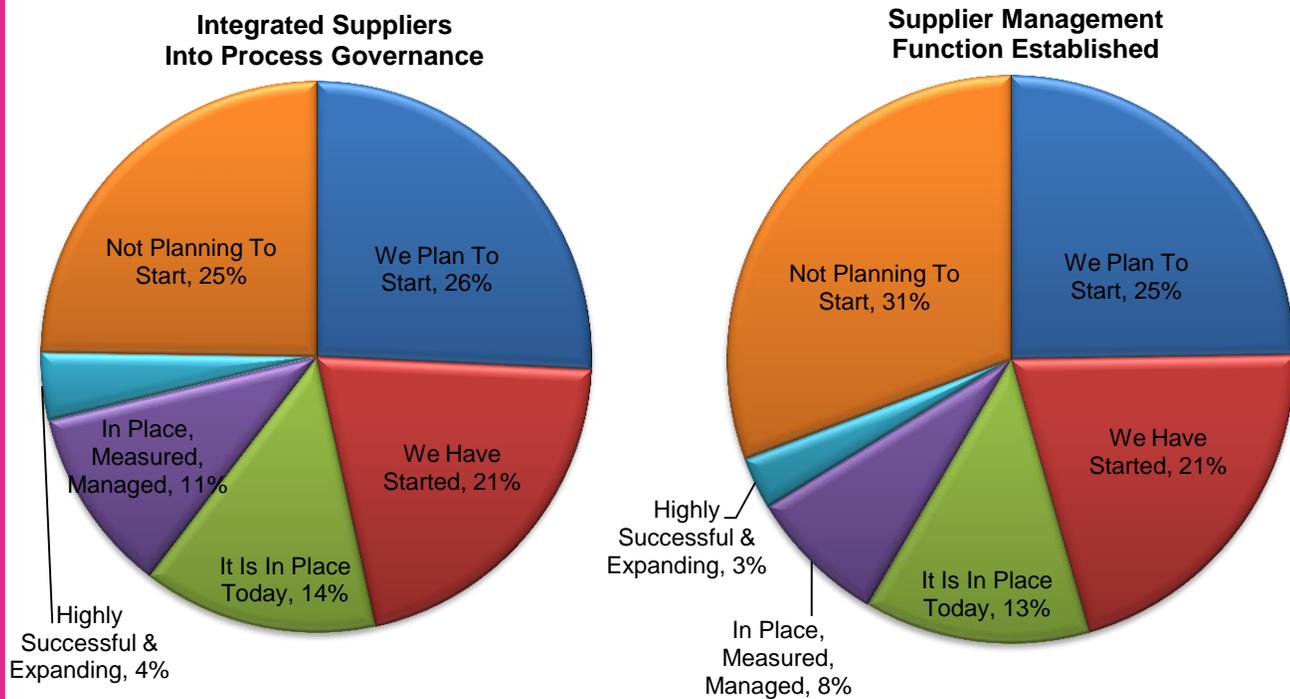
The way the business uses information is being forced to change and must change quickly as a competitive competence. In most cases you, and traditional IT, are not ready to address the shift. Everything that IT has been doing in the past is now no longer enough. In these complex value streams, IT is susceptible to new emergent behaviors, possibly leading to unforeseen scenarios – “black swans”.

Most organizations are far from ready to deal with this growing complexity they already find themselves in. They have yet to successfully address the complexity and non-standardization of practice within internal IT groups, let alone address the integration of multiple third-party suppliers. Charles Araujo observed that IT departments are good at “silos of excellence” with little or no understanding of the overall value stream. Troy DuMoulin frames this in terms of understanding the operating model of the organization and IT’s place in it.



## 5. Trends

To add additional support to this observation, Jack Probst and Troy DuMoulin co-authored a Pink Elephant research paper that was shared with the attendees of the Pink14 conference, which demonstrated that rather than moving forward with improvements around Supplier Management and Supplier Integration, organizations are in fact regressing, or have no plans to address this issue.





As commoditization increases, the traditional IT role moves to service providers. Business innovation will accelerate through the use of emergent technologies, and embedding those inside business practices.

Anything that doesn't demonstrate differentiating value is a candidate for externalization. A single set of outcomes can be provided by multiple suppliers. Suppliers are aggressively pursuing this market. Suppliers will standardize at a low level (e.g. EDI for Service Management, API, XML, etc.).

The evolving nature of multi-supplier models drives changes to how IT is organized and managed. Suppliers will develop service solutions, and tools to support them, that an individual organization cannot do on its own. Open standards are emerging. Supplier strata evolve, and contract duration shortens. The drivers for the multi-sourcing model can be cost and/or business agility and the solution must be balanced across these.

The future is IT Governance, Service Management, and Assurance: the trend is for IT to lose control of both Build and Run, and ultimately lose control of information entirely. IT's Run role will shift to being the steward of the organization's information value. It needs to aim for the role of the trusted advisor, for the use of technology across the enterprise.

The multi-supplier value stream is an emerging space: it is complex and not necessarily clear yet. The question is how will you remain relevant in IT, today and tomorrow?



### 6. So What Is To Be Done?

This is where the practical guidance needs to come in. During PTT14, the members defined specific improvement opportunities at two levels:

#### *Governance*

Senior leaders need to understand the challenges presented by current sourcing trends and realize that now more than ever, strong governance policies, frameworks, structures and roles which oversee both internal and external IT functions need to be established to manage this current and growing complexity. Governance provides the boundaries to support business innovation, increase operational stability, and drive flexible solutions.

In the Pink Think Tank discussion, we used the analogy of the Roman Empire where diverse countries, cultures, and people were held together by a federated governance approach: a republic. In this republic (at least that is how it started) a central body working with local management made clear which policies, principles and practices needed to be consistent across the entire diverse empire and which areas could vary on a regional or local basis. As an example, think of the concept of **the Roman road system** which spanned the entire empire. It was built to a common standard, allowing both commercial and military objectives to be realized. In today's IT organization these can be understood in the context of both, processes and services.

For example:

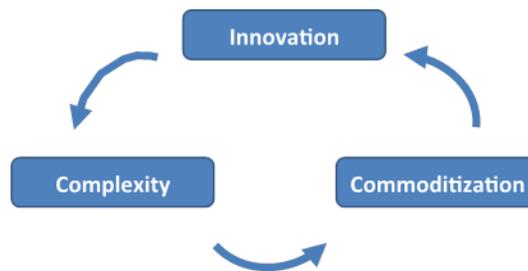
- Process Roman Road: Incident Management – one support process and tool consistent across all members of the empire
- Service Roman Road: Email – one email service and system shared across the entire federated empire

The key to this analogy is that while some aspects of the empire were required to be standardized, many other aspects were encouraged to flourish and remain diverse. To accomplish this objective, what COBIT® 5 calls Governance of Enterprise IT (GEIT) needs to be established and managed.



### *Management*

At a management or process level, while organizations have been focusing on ITSM for decades, very few organizations have moved beyond Service Operation and Service Transition process areas. A key recommendation from the Pink Think Tank is that organizations need to shift their focus and CSI improvements beyond the typical aspects of Incident and Change Management to areas which directly address these challenges: to Demand, Service Portfolio, Service Level Management, and of course Supplier Management – to name the primary enabling processes.



Working with the premise that “what is not defined cannot be controlled, managed or improved”, it is critical to define what is being sourced and the aspects of how to measure as well as manage service providers.

Understand the journey in the context of an innovation cycle: it is never complete. Innovative change increases the complexity of the systems we must manage, which creates a drive for simplification and a business opportunity for commoditization. This leads to standardization and even stagnation across the industry, which in turn creates an opening for new innovative approaches to differentiate.



### 7. Areas Of Focus

Here are the activities your organization needs to be doing now, to either prepare for or respond to this direction:

- Build robust corporate governance policies, strategies, and plans that incorporate the use and innovation of Information Technology throughout the Enterprise (IT policy is not enterprise policy)
- Establish Service Portfolio practice, and the governance process to manage the portfolio
- Improve financial processes and service costing models to support better portfolio/supplier decisions
- Build corporate Supplier Management: policy, process, roles and assurance
- Elevate IT Supplier Management to be a specialist part of the enterprise core function
- Know your business. Assess your understanding of your industry vertical and IT value in this space. Understand which services are strategic to the organization and which are not
- Establish service owners
- Define a value-driven Operating Model that is embedded with a common/core belief system as well as operating practices that span the enterprise (the “Empire”)
- Define which Operating Model capabilities must be core (“the Roman roads”)
- Service Management (ITIL) should continue to be used, but with changed emphasis and priorities
- Have a multi-supplier ecosystem that supports a balance of organizational innovation and commoditization
- Develop a supplier management structure distinguishing between strategic and commodity suppliers, reflected in relationships and contract models
- Understand the compliance, risk, and assurance considerations of outsourcing – especially for multi-nationals
- Multi-sourcing is going to change the way people work: address this as cultural change



### 8. Start Now

Regardless of whether the world we describe is in your future or upon you already, you should be acting now. Here are the immediate tactics the Pink Think Tank recommends, to respond to the emergence of multi-supplier value streams:

- Understand how your services are adding value to the organization
- Consider how the evolving nature of a multi-sourcing environment will change your own role or job in the future
- Understand what you can do, and set priorities
- Establish a Service Catalog
- Establish a service level management framework including measurements
- For Supplier Management specifically:
  - Discover your existing practices to manage contracts and suppliers
  - Inventory existing contracts, ownership and relationships
  - Map the contracts to business outcomes and/or Service Level Agreements (SLAs)
  - Evaluate existing supplier management capabilities and skills
  - Increase the priority of Supplier Management, Portfolio Management, and Business Relationship Management
- Get help: bring in ideas and experience



### 9. And Remember

Finally, here are some bits of ongoing tactical advice from the team:

- Retain accountability of outsourced services
- Understand your requirements/expectations, pick the right vendor, let them do their job (within the "right" limit) and manage to performance expectations
- Strategic supplier contract models should reflect a balance of risk and reward to the supplier
- Contracts should reflect what the supplier, IT and the business are responsible for
- Require primary supplier to be responsible to achieve SLAs based on the performance of sub-suppliers
- Incorporate detailed policy, processes, roles etc...for core practices into supplier agreements
- Institute Key Performance Indicators (KPIs) for supplier orchestration and drive out transaction costs
- Good suppliers deliver what the customer needs and not what they want
- Allow suppliers to be honest with you about what is possible and what is not
- Security issues have people implications



### 10. What Is Next For The Pink Think Tank?



#### *Research Papers*

While this is only a high level summary of the findings, the good news is that the group has agreed to continue to document and share the detailed findings in this series of whitepapers to be published through 2014:

- Outcomes From The Pink Think Tank (this paper)
- Integrating Suppliers Into The IT Value System: The Current State Of Value Streams & Supplier Management
- Governance Of Multi-Supplier IT Value Streams: Integrating IT With The Business
- Organizational Operating Models
- The Personal Career Implications Of Multi-Supplier IT Value Streams
- Service Integration & Management (SIAM): The Supplier View



These papers are edited to ensure some consistency across the series. At the same time, they present multiple voices taking different approaches to the question, a diversity that we deliberately preserved. They are not the product of a committee.

### *PinkFORUM14*

Pink Elephant conducts an Annual IT Service Management Leadership Forum, “PinkFORUM” each August in Scottsdale, Arizona, USA for IT leaders charged with influencing those around them to implement change and achieve positive business results. The program features multiple tracks with case studies from CIOs and senior IT managers, and roundtable discussions addressing many of today’s most pressing ITSM issues. [www.pinkelephant.com/PinkFORUM14](http://www.pinkelephant.com/PinkFORUM14)

One of these roundtable discussions will look at governance, and one of the primary inputs to that discussion will be the findings of this Pink Think Tank and their governance implications. Ask different IT leaders about governance, and you'll get vastly different answers about what it is, what it consists of, and why it is important. This discussion will draw out the components of governance and why it is critical to a high-performing IT organization; and how to establish an overall IT governance operating model aligned with business objectives and linked to the execution of specific IT management processes and frameworks.

The outputs of PinkFORUM14 and PTT14 will in turn feed into next year’s Pink Think Tank.

### *Pink Think Tank 2015*

Yes, there will be another Pink Think Tank in 2015! Just as with PTT14, PTT15 will centre around a workshop prior to the 19th Annual International IT Service Management Conference & Exhibition, “Pink15”, in February 2015 in Las Vegas, Nevada, USA [www.pinkelephant.com/Pink15](http://www.pinkelephant.com/Pink15).

The results of PTT15 will be presented at the conference; the PTT members will present on their own areas of interest during the conference; there will be many conversations; and a body of written content will be produced. The topic of the Think Tank is yet to be finalized – it is likely to be about the Governance of IT.



### *New Panel For 2015*

A new team of about eight members will be assembled for PTT15. The criteria the selection committee will use include:

- Recognized progressive thinker with the courage to express their views, and with an established presence or profile in the ITSM community through speaking, teaching, writing, etc.
- Known by the selection committee as a positive and respectful team player, and known well enough to predict the group dynamics and balance of the discussion forum
- Has expertise related to the theme or topic of the year's forum. Each year the Think Tank addresses a single important question, so we look for people who bring relevant perspectives
- Contributes to the balance and diversity of the forum make-up. We're not looking explicitly for diversity of culture, gender, or ethnicity: this is about diversity of ideas, and a balanced mix of experiences and points of view. Only so much diversity is possible in a team of eight people
- To promote fresh thinking, and to include as many industry experts as possible, preference is given to those who haven't participated on a previous Pink Think Tank

### *Sharing*

We have also created an online community to encourage discussion and to share ongoing Pink Think Tank news and developments:

[www.linkedin.com/groups?gid=7473572](http://www.linkedin.com/groups?gid=7473572).

Contribute your ideas and feedback. Propose potential topics and members for the Think Tank. And do try to be at PinkFORUM14 or Pink15 to share in the conversation.



### 11. ABOUT PINK ELEPHANT

Pink Elephant is proud to be celebrating 20 years of ITIL experience – more than any other supplier. Operating through many offices across the globe, the company is the world's #1 supplier of ITIL and ITSM conferences, education and consulting services. To date, more than 350,000 IT professionals have benefited from Pink Elephant's expertise. Pink Elephant has been championing the growth of ITIL worldwide since its inception in 1989, and was selected as an international expert to contribute to the ITIL V3 project as authors of V3's Continual Service Improvement book and through representation on the International Exam Panel. For more information, please visit [www.pinkelephant.com](http://www.pinkelephant.com).

#### Service Lines

Pink Elephant's service lines each provide different, but complementary business solutions:

*PinkCONSULTING:* Using the ITIL best practices approach as a springboard, Pink Elephant provides end-to-end solutions – from assessments, to strategic planning to implementation, continuous improvement and beyond. Experienced consultants work hand-in-hand with customers every step of the way

*PinkONLINE:* Use Pink Elephant's online ITIL Implementation Tool Kit and gain access to various services that support a service management improvement program, including PinkATLAS, containing over 1,000 process deployment documents

*PinkEDUCATION:* Pink Elephant is the most prolific creator and widespread distributor of ITIL training, and leads the way with education based ITIL V3's service lifecycle approach. Pink is internationally accredited with EXIN, APMG and PEOPLECERT, independent examination institutes that manage the ITIL certification program. The Project Management Institute (PMI) has also recognized Pink as a Registered Education Provider

*PinkCONFERENCES:* Pink Elephant is the world's largest producer of ITSM conferences and delivers several major events per year to thousands of IT professionals

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