

Know the Difference Between Service Portfolios and Service Catalogs

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Many IT organizations confuse service portfolios with service catalogs. They aren't synonymous; they're very different. Understanding these differences is fundamental to an effective service management strategy.

WHAT YOU NEED TO KNOW

Any IT organization contemplating the implementation of a service catalog should first develop a service portfolio and internalize the distinctions between services, processes, products and platforms.

ANALYSIS

To become an effective IT service organization, you must understand what a service is. According to Webster's, services "give assistance or advantage to another." They're actions, not things. They're intangible. They're nonpersistent, meaning they "evaporate" as soon as they're consumed and must be described in terms of customer relevancy. A service is *what* a provider delivers.

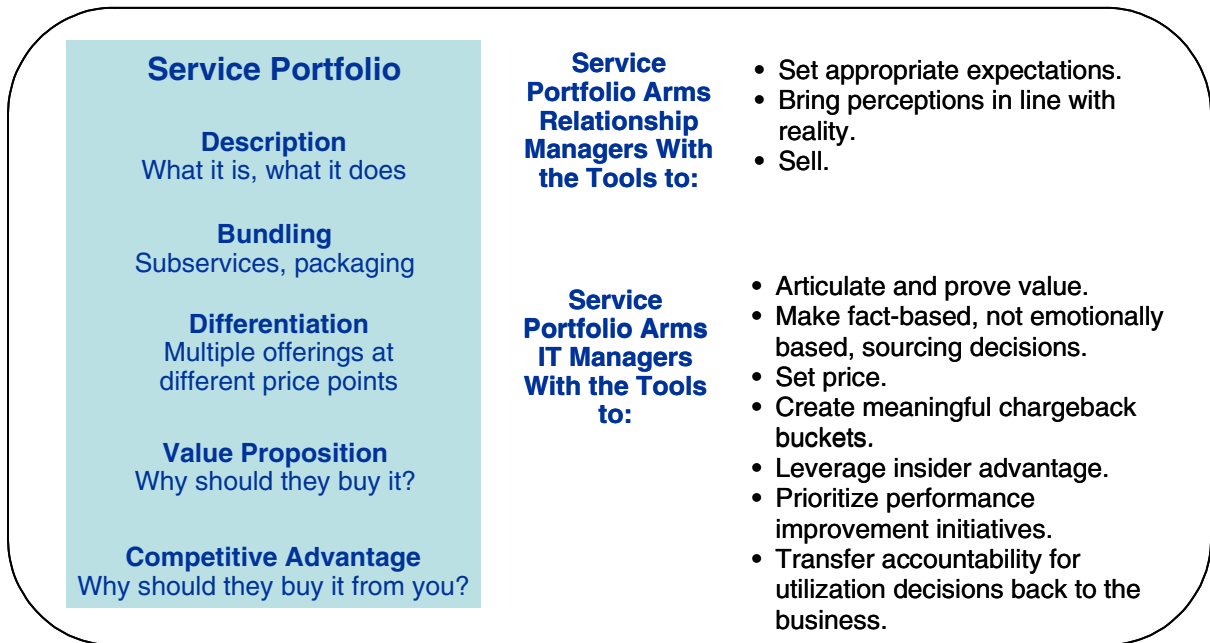
Unfortunately, IT professionals too often confuse processes, technologies and platforms with services, and then wonder why they aren't connecting with their clients. This confusion is the root cause of the complaint that IT doesn't understand business. Resolving that confusion, and changing the language the IT staff uses when discussing services, is essential to building the credibility and behaviors necessary for a successful service transformation. Technologies, physical products and platforms are access points to (or enablers of) a service. As such, they may be bundled within a service and are relevant to a catalog, but they aren't services in and of themselves. Together, technology, processes, products and people represent *how* services are delivered and who delivers them. It's essential to understand these distinctions because — just as consumers like to purchase sweaters without knowing how they're woven and distributed — internal IT clients have no interest in the "how" of service delivery. They just want results.

Service Portfolios

A service portfolio describes services in business value terms, specifying what the services are, how they're bundled or packaged, and what benefits they deliver. It's articulated from the customer's perspective and answers the questions, "Why should I buy this service?" and "Why should I buy it from my internal provider rather than an external service provider (ESP)?" A service portfolio is product-, process- and platform-neutral. As such, it's an important communication and relationship management tool. When created correctly, it also becomes a vital decision framework. A service portfolio that is stated in customer terms is also, by definition, stated in market terms, providing the means for assessing the IT organization's competitiveness relative to ESPs.

External market analysis: 1) facilitates the establishment of service chargeback and pricing models; 2) clarifies where the IT organization is particularly strong or weak, aiding in optimized sourcing decisions; 3) enables IT organizational performance to be articulated in clear, auditable financial terms; and 4) clarifies what services may require process improvement. When managed as a portfolio and periodically compared with the external market, the defined services also become a tangible manifestation of business needs and wants — that is, a classification structure that facilitates supply and demand management. The service portfolio is, therefore, the only device that integrates and articulates what the business demands, as well as the IT organization's response to that demand (see Figure 1).

Figure 1. Service Portfolio

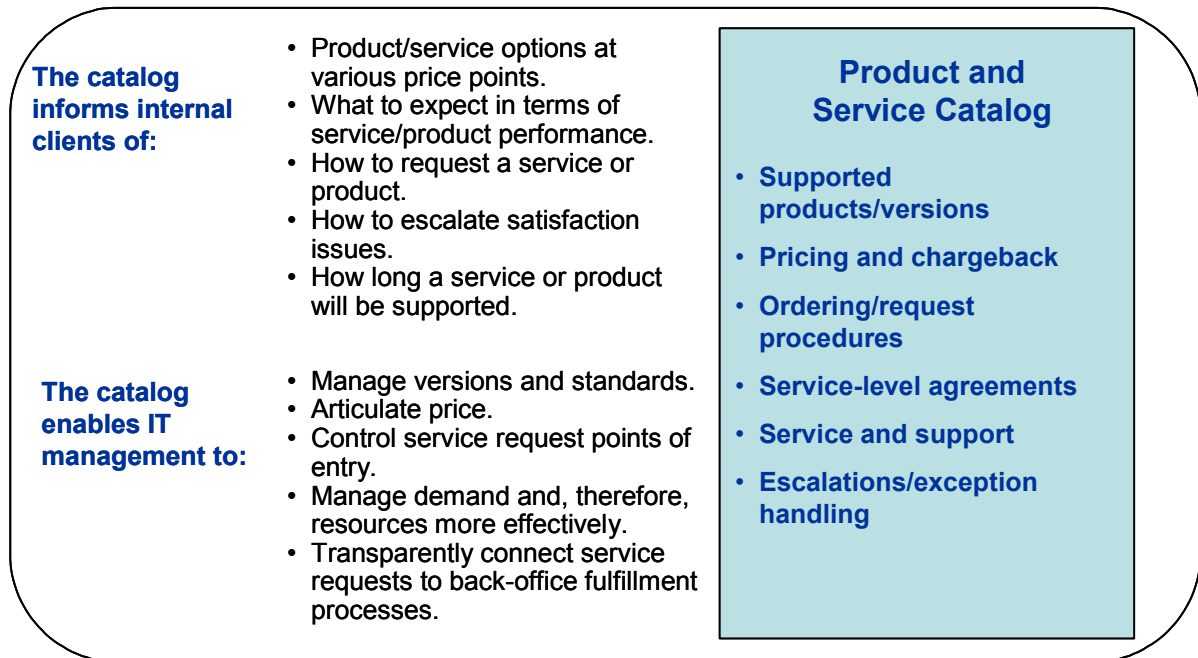


Source: Gartner (December 2005)

Product and Service Catalogs

A catalog, although derived from and closely linked to a service portfolio, is really a service order and demand channeling mechanism. It takes services and decomposes them into the specific components that a client can buy, and then creates the portal for them to do so. It usually includes pricing, service-level and escalation commitments as well. Catalogs are derived from the service portfolio, providing the vehicle for stating the terms and conditions associated with product and service provisioning. They also provide for request processing. In other words, they correlate products to services (see Figure 2).

Figure 2. Product and Service Catalog



Source: Gartner (December 2005)

A Working Example

If you confuse products, processes and platforms with services, then you might include the following items in a service portfolio.

- E-mail
- Document management
- Videoconferencing
- PDAs/cell phones
- Wireless networking
- Network monitoring
- Capacity management
- Remote access

Unfortunately, as soon as you attempt to create a value proposition for them, or state why an internal client should buy these items from internal IT, the service context breaks down. It's almost impossible to state a business benefit for most of these items because they aren't services, but rather products or processes. If you're clear about the differences between products and services, you could ask yourself, "Why do these capabilities exist?" and it would become clear that each helps to enable "virtual collaboration." In their own way, they enable workers to communicate and share without the need for physical co-location or real-time interaction. This is a true service.

The business benefits of virtual collaboration services are something an IT layperson can easily understand. This isn't true of the alternatives. Thus, differentiating between services and products enables IT to create a service item that describes the business benefits of "anytime, anywhere" collaborative work, and relegates the products that enable clients to access that service to a catalog. The catalog would then describe the products that are supported, as well as their prices, service-level agreement commitments, ordering procedures and escalation instructions.

Why Worry About Value Statements and Service Positioning?

Companies attempting to adopt a service-oriented IT delivery model sometimes skip the creation of a service portfolio, believing it will save time and avoid difficult internal debate. To the extent that they're aware of catalog product offerings, companies may believe that a catalog will suffice as a communication tool, but this is a serious mistake for several reasons:

- The value-based distinction between portfolios and catalogs is the only thing standing between IT and eventual commoditization. Inevitably, if IT *only* produces a catalog, then clients will fail to understand the value-added activities that go into provisioning a device, and assess its business utility purely on the basis of cost. If, for example, the internal IT organization has to charge \$1,000 per PC because of the administration, networking and security services associated with provisioning it, but the client has no insight into those services, then the client will ask why it should pay \$1,000 for a PC when it can get one from a retail catalog for \$500. In other words, the client is left with no other evaluation criteria than cost, so cost becomes the provider's only competitive criterion. Business units that go factory-direct generally do so because all they see is the device or application, with IT being just an expensive bottleneck. Mistaking products for services perpetuates this problem, as does implementing a catalog in lieu of a service portfolio. The natural implication of this is accelerated outsourcing. Associating PCs with a "workplace" or "desktop management" service, on the other hand, creates a value-based context that corrects these perceptions and challenges.
- Leaders in the private and public sectors tend to believe that competition breeds efficiency. To the extent that their internal IT providers are de facto monopolies, leaders generally believe that they can do better on price and service by using an external provider. It's up to the internal IT organization to negate this prejudice. This can only be done through comparative analysis against the external market. Because the market defines what it does in terms of services, not products or processes, there's no way to articulate relative competitive position without a service portfolio. In the absence of that information, internal clients will usually assume the worst — hence, the perennial question of IT leaders: "How do I articulate and prove my organization's value to the business?" A service portfolio with its business-based value statements is the foundation for answering that question. A catalog won't address this issue.
- Most IT leaders and staff have low credibility with the business, partly because they can't speak the language of business. A service portfolio provides the business-oriented foundation to raise credibility, and with it, IT's influence within the business. A catalog doesn't.
- A well-crafted service portfolio forces IT leaders to consider their core competencies and the business benefits they deliver, which enables them to stay focused and make decisions that are consistent with their mission and value.

Unfortunately, most catalog vendors don't understand these fundamental concerns and will position their product/process/technology catalogs as service portfolios. They're largely unable to assist in the development of a true portfolio, so IT adopts the catalog technology, thinking they'll get the benefits of a portfolio. Ultimately, they're disappointed. They'll probably experience

version control and process/cost improvement benefits, but will unknowingly undermine their long-term strategic position without fundamentally altering their capability to interact with customers in business terms.

Ultimately, a service portfolio is the strategic manifestation of the IT organization's mission, role and capabilities. The catalog is a tactical, operational tool. Both are necessary, but they can't substitute for one another.

This research is part of a set of related research pieces. See "Enterprise Architecture Research Index: Enterprise Solution Architecture" for an overview.

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