

## Commentary

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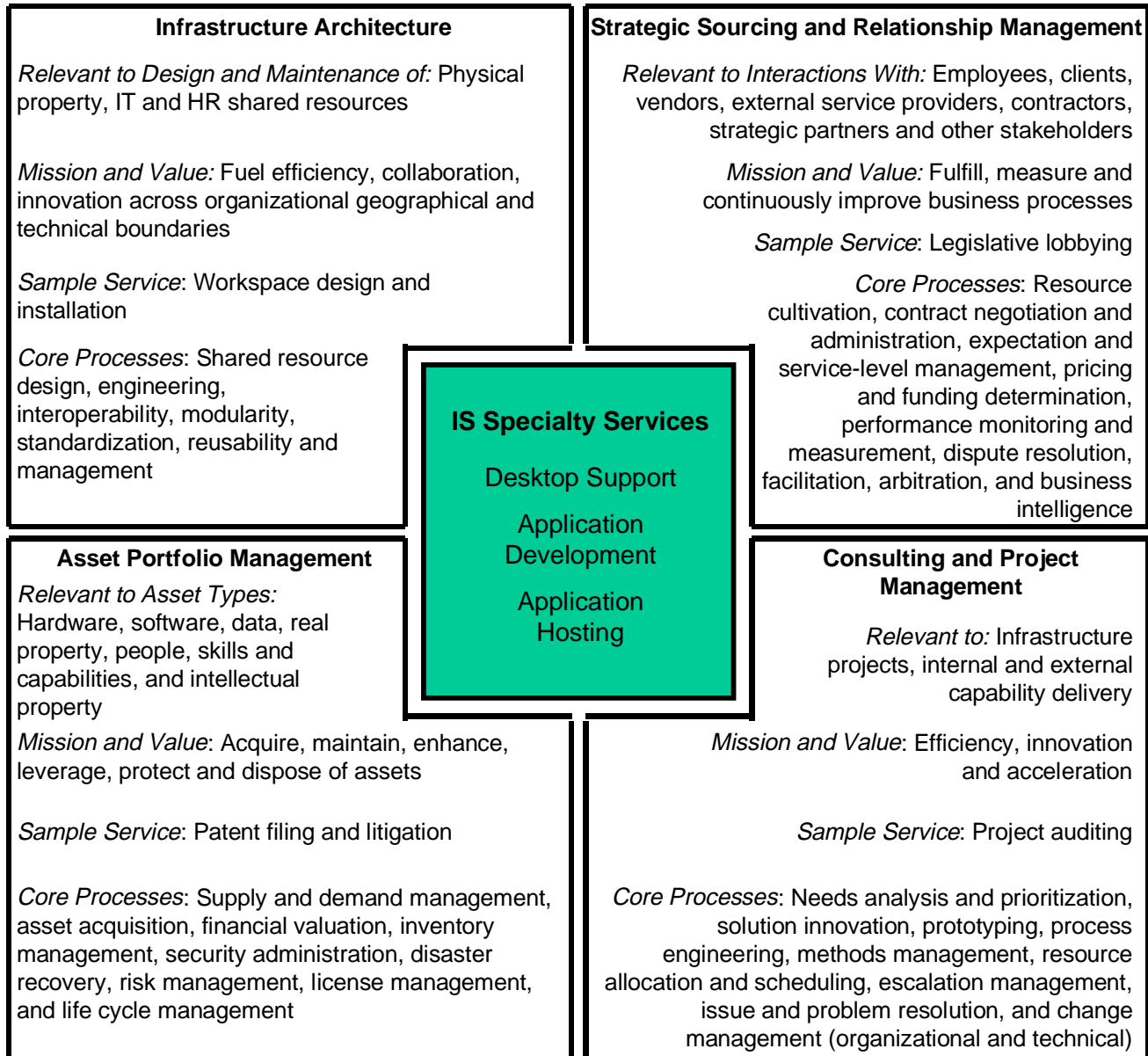
### Designing Customer-Focused Service Portfolios

**Customer-centric business models require IS and other internal service organizations to develop a value-based service portfolio. Gartner's Service Portfolio Framework eases the transition from a focus on activities to services.**

The first step in designing an effective service portfolio is to define the services being delivered. Many internal service organizations that are migrating to customer-centric cultures stumble when they attempt to describe their services. Although most organizations deliver fewer than a dozen true services, they include more than 100 when asked to provide a list. This discrepancy stems from widespread confusion between the services delivered and the elements needed to deliver them. For example, organizations often list "server administration" as a service, but this has little relevance to business people. Server administration is generally a process associated with the service of hosting applications.

Such confusion inevitably leads to a host of alignment issues, which Gartner is addressing in a research series. The first piece in the series, "The Core Elements of IT Service Design" (COM-11-5095), clarified the distinction between services, their business value and their fulfillment elements, and described why such distinction is important. The second piece, "IT Services: A Framework for Organizational Design" (COM-11-7679), illustrated the importance of designing a service portfolio that is explicit to every enterprise's unique business and market realities. This *Research Note* provides a service portfolio framework relevant to all internal service organizations (see Figure 1).

**Figure 1**  
**Gartner's Service Portfolio Framework**



Source: Gartner Research

This framework is deliberately generic to:

- Emphasize that all internal services can be bounded by a similar portfolio framework, creating new opportunities to leverage potential synergies between internal service organizations.
- Neutralize the dangers inherent in grafting a stock portfolio onto a service organization without considering unique business conditions.

**Core Service Descriptions**

Regardless of function, all internal service organizations deliver four core service types:

- *Infrastructure architecture:* Builds a strong foundation for the use of shared resources.
- *Strategic sourcing and relationship management:* Leverages the enterprise's commercial relationships and manages dependencies across stakeholder groups.

- *Consulting and project management*: Facilitates the resolution of specific business projects, opportunities or problems.
- *Asset portfolio management*: Optimizes the value derived from individual and collective assets throughout their useful lives.

Approximately 80 percent of the service portfolio will pertain to one of these core service types. The information provided in Figure 1 can be used to:

- Develop the service portfolio where none exists.
- Verify that service definitions and value propositions are not being confused with fulfillment processes, leading to a crisper, more-customer-focused portfolio that is easier to articulate and sell.
- Identify services and processes common across internal service organizations, which creates the potential for leverage.
- Discover additional services that may be omitted from the portfolio, which creates additional value attribution.

### **Core Service Attributes**

These core services have certain common attributes that are important to understand when developing a service portfolio.

*1. Core service types, value propositions and high-level processes are common across all internal service organizations.* However, the specific service definition — and, therefore, processes, capabilities and skills — will be different depending on the internal service organization’s function and the degree of cross-organization integration. It is because of this attribute that understanding business context is so important. For example, in a nonintegrated service delivery model, infrastructure architecture services might be dominated in the IS organization by data and process integration standards; in human resources (HR) by wage/salary, benefits and performance management programs; and in real estate by building and workspace designs. These are all architectural services pertinent to a functional orientation. In an integrated model, such as shared services, infrastructure architecture services might be focused on the efficiencies of exchanging “clicks for bricks” and deploying workspaces, tools and HR practices designed around how people work, rather than their hierarchical position in an enterprise. However, in both examples, the high-level service is still infrastructure architecture, and its value is in enabling the effective and innovative performance of work across organizational, geographic and technical boundaries.

*2. Core services are completely interdependent and must be designed holistically.* Although few functional organizations will achieve excellence in all four core service types, it is not possible to unbundle them. For example, an enterprise can’t deploy consulting and project management services without also executing portfolio management services to determine the resources available vs. those that the project requires, irrespective of whether those resources are skills, CPU horsepower or office space. Nor can consulting and project management services be invoked without using strategic sourcing and relationship management services, because all projects require stakeholder performance and expectation management.

*3. Core services are highly synergistic.* Because these service types are inherent to any internal service organization, they can be redundant. Also, each traditional internal service organization (such as finance, HR, IS or real estate) will excel at some service types and be less capable in others. For these reasons, the four core service types are often the focus of shared services consolidation or cross-

organization process integration. Thinking about core services in the context of the broader enterprise (rather than with an internal, functional focus) provides all internal service providers with the opportunity for greater partnership, innovation, efficiency and effectiveness.

## **Specialty Services**

Every service organization fulfills unique, specialty services. Figure 1 provides examples of specialty services for a typical IS organization. This list is by no means exhaustive, and the degree of integration achieved between internal support organizations will affect it. When separate service organizations claim the same service, it is generally a sign of unexploited integration and leverage opportunities. For example, the legal and IS departments might both legitimately claim intellectual property asset portfolio management as a service, but if they are not cooperating and have not integrated their processes, knowledge and abilities, the value the enterprise receives from this service type is suboptimal.

In defining specialized services, it is important to understand the service provider's competencies and available resources, and to think beyond traditional definitions. For example, many IS organizations excel in process engineering — a capability that is increasingly valued in business. Most IS organizations would not consider this a potential service unless they first examined their competencies in the context of what is going on in their enterprises. Specialty services are about capability, opportunity and value, not “business as usual.”

**Bottom Line:** Service portfolios must be designed and articulated in terms business people can relate to. Internal service organizations that want to develop customer- and service-oriented cultures should use Gartner's Service Portfolio Framework as a starting point in developing services, fulfillment processes and organizations appropriate to their core competencies and their enterprises' unique objectives.