

# ITIL and the outsourcing advantage

Proper standards of IT governance can help to align technology with complex business processes, and open the door to more effective outsourcing, **by György Lengyel**, managing director of AAM Technologies.

**T**he Information Technology Infrastructure Library (ITIL) is an operating standard for organizations with complex IT. Implementing ITIL makes the management of IT systems transparent, and as a result, it can support business and IT decisions to a great extent. In the course of outsourcing, a good ITIL practice will not only aid decision making, but may also enable the measurement of changes to the required services, which provides major advantages for both parties, says AAM Technologies managing director György Lengyel on the relationship between ITIL methodology and outsourcing.

## **First of all, why would a business manager of a Bank worry about things like ITIL?**

It is a very valid and common question, indeed. Business managers are responsible for the business operations of the

Bank. Today, 99% of business processes are, however, supported by IT applications. They are highly dependent on the performance of IT. Therefore, if IT operations are failing to execute, the affects will immediately be felt in the business processes. This tells us two things: first, business continuity and disaster recovery planning are truly important (these are not IT terms); second IT operations must be aided by standards, best practices and proven IT solutions. These, even if it sounds unusual, are the joint responsibility of business and IT managers.

Business and IT managers must be partners to bring the enterprise forward to achieve strategic goals. As such, business people must be able to define their requirements better, while IT must ensure it can deliver the needed services on time in the agreed quality. The more critical the business process is, the more

secure operation of the underlying IT infrastructure must be guaranteed. In our experience one of the nicest things about methodologies like ITIL and Enterprise Architecture Management (EAM) is that they set the common ground between IT and business. They enable both parties to speak a language they equally understand. Therefore, business decisions can be made on the proper foundation.

## **How flexibly can it be adapted to individual organizations in the private sector?**

Initiatives like ITIL or EAM were first conceived in the government sector to provide consistent and transparent management to massive and geographically spread organizations. The only option they have is to define a good set of guidelines based on which their entire operations can and must be managed. Once ITIL became a de facto standard in

the government, private companies that do business with government agencies were obliged to follow. At the same time, it is an opportunity for such companies as well to get higher operational performance through better resource allocation.

It is, however, to be emphasized that none of these standards can be applied on a 'one size fits all' basis. They are rather a collection of best practices and valuable recommendations, but certainly not commandments carved in stone. You must define your procedures based on your own structure, flavor, business strategy.

There is another reason why ITIL emerged in the public sector: it is what they do best, to govern. The policy set you create within your enterprise will only support your processes and decisions if you continuously govern its accomplishment. That is why change management procedures are an indispensable part of ITIL.

### **What are the key reasons for banks outsourcing the operation of their IT systems?**

A decision like this may be made for a number of reasons. Most often, the managers of businesses choose to outsource certain internal processes in the hope of improving service quality and cost-effectiveness.

There is also the situation where the field of IT may be the scene and direct cause of a large number of conflicts. Users feel that their work is often hindered by IT errors and that service operators do not respond to their needs in the way and at the speed they would require. At the same time, a common complaint by IT professionals is that they cannot provide services and operations at the desired level either for reasons beyond their control or because users have not specified their needs precisely. Management is torn between these two groups, convinced that it has allocated the necessary budgets, yet operations are wearisome. ITIL could be the right response to these issues.

### **How can ITIL help the outsourcing company?**

Through the consistent application of best practices, the ITIL standard creates significant added value primarily in terms of the transparent operations of the IT organization as well as in maintaining its structural unity. In defining IT services,



By implementing standards like ITIL, banks can make an informed decision on whether to outsource IT services, and have greater visibility into their true requirements needed to support business processes, says Lengyel.

the organization identifies the relevant IT needs. This in itself is a major achievement, since often it is at this point that requirements for IT are first specified explicitly. All this could help to avoid the dissatisfaction resulting from unestablished or excessive requirements for IT. Consequently, when implementing ITIL, the first step is to involve the customer in the specification of the services, their possible levels and prices.

### **Is it recommended to define services before or in parallel with outsourcing?**

Before outsourcing. Implementing ITIL is supposed to create an operating environment that enables strategic decisions to be made on the basis of data and measurements. One such decision is, for instance, whether or not to outsource IT activities at all. Following the implementation of ITIL, it becomes possible to compare the services offered with needs as well as current prices with those available after outsourcing. As a result, whether in favor of outsourcing or against it, the decision will be based on business arguments supported by facts.

Additionally, using the ITIL standard means that IT services will be provided to the applicant according to real customer needs, at the most reasonable costs.

### **What are the benefits of ITIL-based operations to outsourcing providers?**

ITIL does not contain instructions on

how to provide outsourcing services, but its application may be helpful in allowing the services offered and required (and the gap between them) to be defined and priced and the performance of the service to be measured.

IT outsourcing providers offer services conforming to industrial standards and practices. This is logical, since they are making efforts for the streamlining and cost-effectiveness of their own operations as well. However, it is not certain that the service offered will be fully consistent with the business goals and internal mechanisms of the applicant organization; if only because what we have at hand is two different organizations, with different structures, geographical locations, needs, goals and cultures. ITIL plays a key role here: the management of internal processes and services which it defines provides a certain level of transparency, while guaranteeing that the beneficiary will receive the outsourced services in a customized way. Over time, services become customized by continuous measurement, collecting feedback, the continuous negotiation of service levels and the continuous changes made in a series of small steps to the services specified in the first, generic agreement.

Optimizing and deliberately improving their own internal processes and adjusting internal regulations to customer needs are an investment that ensures growth in the long term.