Chapter IX
ITIL and Value Networks

The previous chapters have concentrated on organisational theory and management in general and identifying the linkages to IT Governance and multisourcing. In this chapter a management framework designed by and for the IT function will be reviewed from a network’s perspective. ITIL (Information Technology Infrastructure Library) is the result of an initiative of the UK Office of Government Commerce to collate and publish a suite of “Best IT Management” practices. The result is a process model covering the various IT service functions like service desks, problem and incident management; configuration and change management; service level management, capacity management, security management; and IT application development, implementation and maintenance. Many organisations have embarked on the use of ITIL as a holistic management guideline for all their IT services operations, despite the OGC being careful not to promote it as such. A common criticism of ITIL is therefore the danger of organisations adopting ITIL as a “silver bullet” for IT service ills. The most recent version of ITIL, version 3, extends the framework beyond operational aspects to address business alignment issues and hence, relevance to IT Governance activities. The growing importance of networks is acknowledged in the Service Strategy publication (ITIL, 2007) through the identification of Value network analysis (Allee, 2003) as a preferred technique for designing and analysing new service provisions.
In this chapter ITIL identified governance processes will be reviewed from a network perspective. Value network analysis (VNA) will then be described as a means for facilitating IT Governance and preparing for the implementation of a multisourcing strategy.

**IT GOVERNANCE AND ITIL**

IT Governance has variable definitions between organisations or even continents. For some organisations IT Governance is a matter of compliance with pre-determined and approved standard processes. A more enlightened view acknowledges that IT Governance involves more than compliance. We can define IT Governance as the means by which an organisation’s investment in IT is aligned with the business value achieved. That is, a concentration on “doing the right IT” rather than “doing IT right”, which is viewed as IT management, more so than IT Governance (PriceWaterhouseCoopers, 2007; Williams, 2007). The other point of contention on IT Governance is whether the function is critical enough to justify it being represented at board level. For many, the lack of board representation can be a cause for poor IT Governance due to a lack of senior executive input. For others, IT is seen as simply a utility support service and therefore does not justify representation at the most senior levels (Carr, 2004).

The following analysis was conducted using outsourcing contracts data for the Australian IT outsourcing market, together with information on the executives of the client and vendor companies involved in these contracts. Relationships between CIOs and board members of the clients’ companies are shown as links. A contractual relationship is also inferred between the CIO and the vendor CEO and is shown as a link. Additional links are also inferred for executives who have either worked for the same organisation at the same time or been board members together. The nodes are identified as individuals who are either board members, CIOs or vendor CEOs. The relative size of the node reflects the number of links a particular individual has.

While the data is limited to what can be gleaned from public sources, broad patterns of relationships are identifiable. Looking at the clusters of board members, one can see that with very few exceptions, there is little intermingling between board members and CIOs and/or vendor CEOs. The data reinforces the view that IT is not currently engaged at the board level. Whether it should or not is still an open question (Nolan & McFarlan, 2005; Williams, 2007). One would anticipate that the situation won’t be changed by the IT functional heads’ promotion of the importance of IT to their respective boards. It is more likely that board attention might come from negative aspects of IT, like major cost overruns on IT projects, serious security
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