



# Why Doesn't the "Business" Drive BSM?

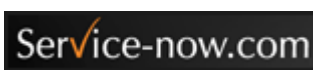
*A Value-Driven Business Service Management Maturity Model*

Bill Keyworth & Rick Berzle

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BSM Review features a community of experts that includes business thought-leaders, IT service, and domain experts offering deep insight into BSM related topics like IT Service Management, GRC, Security, Cloud Computing, and more.

## A Prescription for Business Service Management

BSM Review experts have reached consensus that the best “next step” for **Business Service Management (BSM)**<sup>i</sup>, is prescribing a model for “business maturity.” The definition of **prescribe** is “to lay down as a guide, direction, or rule of action,” which is what BSM needs to move into an **actionable, measurable activity** for the alignment of Information Technology (IT) and the business community.

Essentially, BSM for IT<sup>ii</sup> needs a yardstick or a roadmap. We need a “business” approach to maximize effectiveness of our IT activities.

The BSM discipline comes in the forms of IT activities, technologies, metrics, processes, best practices and people that have meaningful context for the business user of technology.

*BSM is simply the package of whatever it takes to deliver the desired/required technology to the business community ... in a way that the business entities can understand, appreciate, absorb and benefit from that delivery.*

Maturity models we’ve examined to date have consistently defined service management in terms of IT tasks, tools or processes, and miss the opportunity of **correlating IT deliverables to business value.**

The simplicity of the following pyramid empowers a definitive discussion of how IT must package itself in business terms:

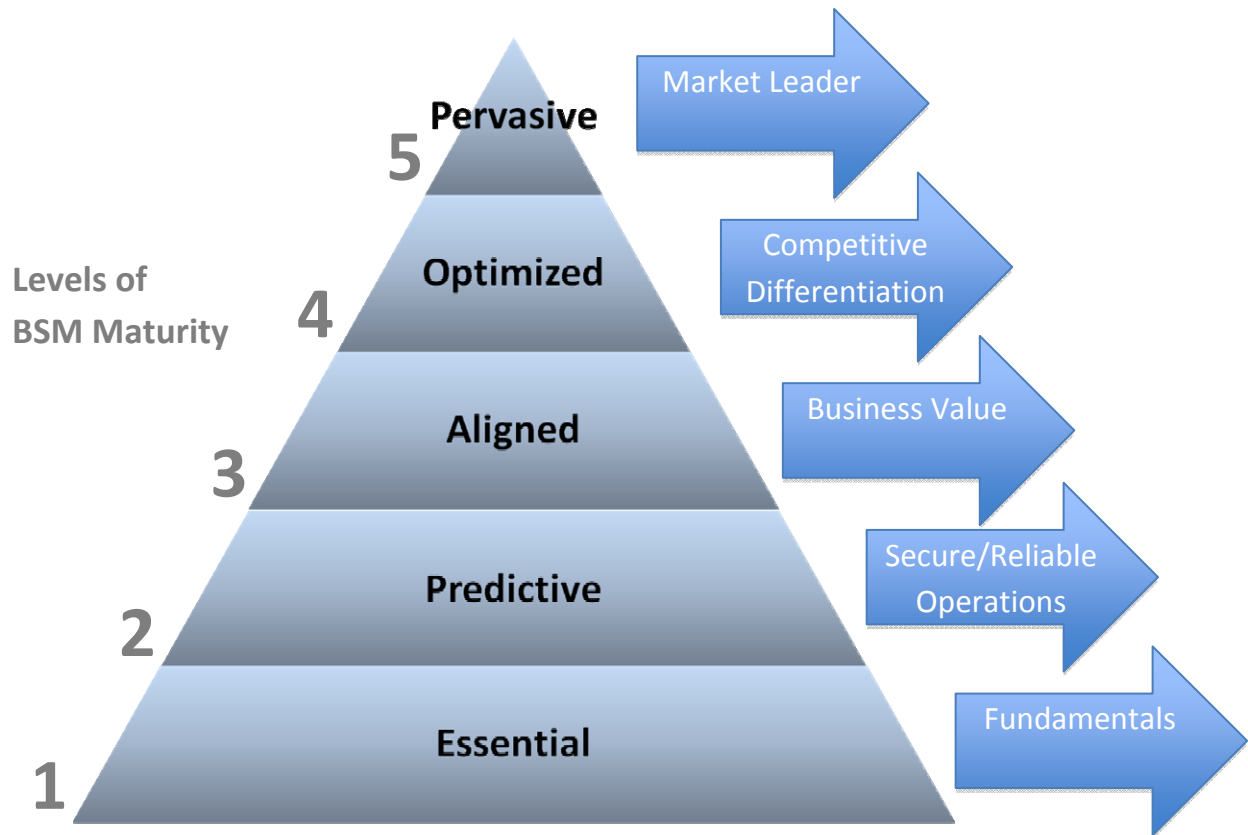


Figure 1: BSM Maturity Model

## Referencing “Business Maturity”

In discussions with IT users and BSM vendors, we often hear how difficult it is to **assess** IT’s actual alignment with Business. If you can’t assess where you are on the roadmap, how do you justify existing and new IT investments “in a business context”?

What is the common vocabulary that can be used by both IT and Business to communicate needs and requirements?

How do you know what is the next critical step that has to be taken to align IT with Business?

While not completely resolving these issues, the proposed discussion of “Business Maturity” is a good step forward in reaching consensus.

Knowing where to go is a prerequisite in determining how to get there ...and this **BSM Maturity Model**’s objective is to help you **identify both where you are and where you want to be, and then provide some clues as to how to close that gap.**

The BSM “level” reflects the business’ operational response to IT. Different businesses are organized and function at different, yet appropriate levels of

response to IT. IT is not aligned with their business when there is a mismatch between business's operational response to IT and IT's efforts to meet business needs.

***BSM Maturity refers to the extent of the match between business operating needs/desires and IT's understanding and efforts to meet those needs.***

BSM Maturity can be maximized at any level. BSM maturity improves when IT is aware of and operates at a level appropriate to business operations. It isn't necessary to move up to a higher numeric level to increase maturity. In fact, an inappropriate move to a higher numerical level by IT can actually lower maturity since it is out of sync with business operations and needs.

For example, dynamic provisioning of IT resources (...cloud computing) is of little use to a firm that has a strictly controlled and predictable demand for IT services.

Now that we understand that BSM Maturity depends on IT and business operating at the same BSM level, let's discuss the appropriateness of these levels. The appropriate level is completely dependent upon what constitutes the

company's business GOALS (*see the business goals column in Figure 2 – BSM Maturity Levels.*) **These are not IT goals, but business goals.**

From the business perspective, a mid-range manufacturing company might optimally perform at the "Predictive" BSM level, while an on-line retailer might require performance at the "Optimized" BSM level. However, it is also important to understand that enterprises often have aspirations to move from one BSM level to another. So while the desired business maturity level is defined by business operational requirements, we've used the pyramid graphic (see Figure 1) to depict that each succeeding level of BSM maturity is dependent upon the successful execution of multiple corporate disciplines at the lower level.

An enterprise cannot proceed to "Secure/Reliable Operations" (Predictive) until the basic technologies and people required for "Business Fundamentals" (Essential) are in place. An enterprise cannot advance to "Competitive Differentiation" (Optimized) until enhanced technologies, business process and corporate personnel essential to "Business Value" (Aligned) have been implemented.

Level	Description	Business Goals	Benefit	Decision	Financial	Technology
5	<b>Pervasive</b>	Market Leadership	Sustained Competitive Advantage	CIO is trusted business advisor	R&D Investment used to innovate, expand business value  Market expansion	<ul style="list-style-type: none"> <li>- Use technology to enable paradigm shift</li> <li>- Correlated, integrated for long term advantage</li> <li>- Technology R&amp;D used to realize business vision</li> <li>- Technology influences future business direction</li> </ul>
4	<b>Optimized</b>	Competitive Differentiation	Product & Service Leadership	CEO/CIO	Prioritized and Optimized Investment  Market Penetration	<ul style="list-style-type: none"> <li>- Invest in leading edge technology</li> <li>- Calculated risks for competitive advantage</li> <li>- Use technology to alter competitive landscape</li> <li>- Strategic use of collaborative technologies</li> </ul>
3	<b>Aligned</b>	Business Value	Customer Acquisition & Retention	CIO/Line-of-Business Sponsor	Customer Focused Investment  Maximization of Profit	<ul style="list-style-type: none"> <li>- Establish, maintain, monitor customer relationship</li> <li>- Near real-time visibility into business</li> <li>- Invest in channel optimization technologies</li> <li>- Strategic application investments (CRM, BPM)</li> </ul>
2	<b>Predictive</b>	Secure/Reliable Operations	Cost Effective Operations	IT Sponsor	Managed Measured Investment  Revenue Focused	<ul style="list-style-type: none"> <li>- Secure &amp; reliable infrastructure</li> <li>- Invest in proven, safe technologies</li> <li>- Validate/tested solutions</li> <li>- Focus on supply execution technologies</li> </ul>
1	<b>Essential</b>	Business Fundamentals	Technology Supporting Business	Cost Justified (by CFO)	Minimize IT Investment  Cost Containment	<ul style="list-style-type: none"> <li>- Little to no technical vision</li> <li>- Managed in context of "good enough"</li> <li>- Emphasis on basic IT infrastructure</li> <li>- Positioned from "utility" perspective</li> </ul>

**Figure 2: BSM Maturity Levels**

Effective IT organizations want directions, roadmaps and signposts that identify how to close the gap between IT's existing contribution to business maturity and IT's desired contribution.

The intention of promoting this "adapt and adopt" model is to provide guidelines to BSM achievement, case studies of BSM success and recommendations for initiating your own unique path to BSM.

## Level 1 – Essential for Business Fundamentals

The primary business objective of Level 1 is to keep the business afloat by doing whatever is necessary (essentials) to stay alive. Companies in this level are usually high in energy from recognizing future business possibilities ...or are in low gear as the business scales back to fundamentals for survival, recognizing that the opportunity for desirable revenue growth is in decline. Business operations are focused on the basics in finance, demand creation, sales incentives, product development, and customer service.

A Level 1 company could be there by business choice and not merely Level 1 through lack of competency. For example, Level 1 companies could be those with new management that are refocusing on basics; small startups; entrepreneurial initiatives within larger conglomerates; cash cow ventures with focus on maximum revenue and minimal costs; acquisition targets where management is putting the best financial face forward in order to increase its sale attractiveness; or pure product driven initiatives. It can be okay for technology initiatives to be driven solely by revenue attainment, product introduction and meeting commitments for product, services or payroll ...if that aligns with the business objective.

### **Statements that characterize alignment between IT and Business for Level 1 Companies include:**

1. Senior management accepts IT's view of operational requirements and approves minimal IT budget.
2. Business feels IT is responsive to reasonable technology requests, not expecting IT miracles.
3. IT is organizationally under the domain of the finance executive who has a cost containment perspective.
4. Corporate culture dictates that business units relate to IT in a cordial, respective manner.

An "essential" IT organization frequently emphasizes "good enough" deliverables where a belief exists that success can be achieved with the 80% deliverables that come at 20% of the total cost ...a required behavior within a cost adverse corporate culture. When the "essential" IT shop is not in alignment with their business counterparts, it is frequently struggling to survive in today's fast-paced technology environment. New technologies, new assets, new applications, new data content, new compliance procedures are brought into the organization primarily at the demand of some individual or group outside of IT. Issue resolution and problem solving are initiated at the request of an irritated end user and inconsistently captured at the first level help desk. Assets are identified and tracked periodically based on some external audit or accounting requirement. Management of IT seldom participates at the executive level other than to be held accountable for events or actions deemed detrimental to the business. IT management processes are ad-hoc, focused on deployed resources and consistently change based on the last fire-drill.

## Level 2 – Predictive for Secure/Reliable Operations

The primary business objective of Level 2 companies is cost-effective, secure operations that ensure long term value to stockholders and employees. Companies in this level are frequently focused on financial and operational metrics driven by chief financial officers (CFO's) and chief operating officers (COO's) and are focused on maximizing stock value for purposes of corporate expansion, investment in R&D, quality of service to customers and profitable business practices with minimization of costs. IT contribution to regulatory compliance, system availability, fail safe operations, network continuity are well received.

### Statements that characterize alignment between IT and Business for Level 2 Companies include:

1. IT contributes to significant reduction in production costs of existing products or services.
2. Two to three operating initiatives are appropriately funded so that the anticipated impact will be achieved.
3. Management requires regular updates regarding the operating results and economic impact of IT investment decisions to determine if targets have been met
4. Management creates tight performance feedback loops around a few "KPIs" that determine overall operational performance of the business.
5. Management uses IT effectively to track exception handling in key operating processes and to mobilize stakeholders to resolve exceptions in the near-term and to reduce exceptions longer-term.

A "predictive" BSM organization creates an emphasis on stable technologies that are consistently available and monitored to minimize the number of IT operational surprises. Technology review boards, standards, information protective policies and controlled access are in place to ensure changes to the computing environment will not negatively impact current business operations. Success has been achieved with IT management technologies associated with network management: event monitoring; governance, compliance and regulation (GRC); scheduled maintenance; ongoing, consistent asset management for infrastructure components; and change management processes integrated with release and incident management. ITIL processes have frequently been evaluated and implemented, but struggle in effectively dealing with the silo mentality of departmental business applications.

In order to maintain predictability, such IT organizations are "comfortable" with status quo in technology, but are responsive to the requests and demands of their business units as long as new technology options do not jeopardize existing IT policies and procedures. Predictive IT shops are frequently found within vertical industries that are known as technology laggards (...late majority) or slow to change and adapt to new trends. New application solutions are implemented after they have been tested, referenced, and already installed in other, more progressive IT environments.

## Level 3 – Aligned for Business Value

The primary business objective of Level 3 companies is to maximize the profitability and security of Level 2, but expand the company's business value to ensure alignment with the customer's needs by the company's unique value proposition. Customer focused metrics are consistently linked to business value and financial performance. Due to the internal emphasis on acquiring and retaining

profitable customers, companies in Level 3 are frequently featured in media articles and case studies that highlight the unique relationship of the company with the customer and the uniqueness of their product or service in creating superior customer satisfaction.

**Statements that characterize alignment between IT and Business for Level 3 Companies include:**

1. Senior management (IT and Business) have struck an appropriate balance to provide adequate clarity for effective decision-making regarding future direction.
2. IT adds value creating services around existing product and services.
3. Core operating processes are appropriately balanced between the use of IT to reduce operating cost, to increase asset leverage and to generate additional growth.
4. The company requires clear and compelling business cases for major IT investment initiatives.
5. Management insists upon measurable operating results from IT investment initiatives within six to twelve months of the investment decision.

An "aligned" BSM organization has a history of success in automating business process improvements, with achievement of near real-time visibility into business metrics. Particular emphasis is given to

business applications that govern customer and channel relationships. Expertise in applications enablement is significant, and knowledge gained through performance monitoring of business applications (...be they supply chain, HR, cost management, customer relationships, revenue tracking, etc.) is used to align business expectations with IT deliverables. Agile development is leveraged to deliver, test and implement to customer requirements in shorter time frames.

Aligned IT shops are close to a nirvana for most IT professionals who have labored with the massive change of the last 10-20 years in technology trends. Discussion is initiated by the IT managers with the business owners to ensure business satisfaction with existing technology solutions and to ferret out technology options that would further revenue, profit and customer satisfaction goals. There is healthy receptivity within the IT organization to new software applications that are accompanied by approved business justification. Technology discussions are focused on the strategic use of software business applications and not on the technical merits of different technology infrastructure options.

Most importantly, the top IT executive is a valued member of the firm's top management team.



## Level 4 – Optimized for Competitive Differentiation

The primary business objective of Level 4 companies is product and service leadership through “nimble” competitive differentiation. Such businesses demand the ability to charge premium pricing through unique brand awareness in order to maximize market penetration. The critical importance of intuitive, compelling market positioning is universally understood by all business entities, with IT being elevated to the status of a legitimate business entity. Risks are assessed based on potential returns on investments ...be they sales/channel investments, product investments or technology investments.

### **Statements that characterize alignment between IT and Business for Level 4 Companies include:**

1. IT and Business leaders have clear view of how business needs to operate to create value in relevant markets.
2. IT enhances product or service economics to improve competitive differentiation.
3. Management effectively deploys IT to support operational initiatives both within the organization and across key business partners.
4. Senior leadership has effectively leveraged the capabilities of IT to fundamentally rethink the alignment of core operating processes of the company - supply chain management, customer relationship management and product innovation and commercialization.
5. Management effectively uses IT to access world-class capabilities from other companies and to focus its own organizational resources on the areas where it can achieve significant differentiation.

An “optimized” BSM organization” uses leading edge technologies to empower interactive behaviors between customers, partners and employees. The comprehensive yet agile approach to business growth enables early adoption of newer technologies that might advance aggressive financial goals or enable unique products and services, sometimes through use of proprietary IT solutions. Web 2.0 social networking technologies were an easy step for Level 4 enterprises in accelerating the benefits of collaborative behavior. Advanced technologies such as business intelligence and analytics, cognitive modeling and neural networks are leveraged for multi-tasking within multi-dimensional organizations.

## Level 5 – Pervasive for Market Leadership

The primary business objective of Level 5 companies is to create a competitive advantage that can be sustained over a long period of time, and is usually driven by one-of-a-kind differentiator that cannot be reproduced by competitors and delivers a pervasive presence within the target market. Investment in technology research and development is focused on creating business differentiation and the use of leading edge, innovative technology to influence future business direction is consistently applied. Shareholder value significantly exceeds any method of assessing market value of the company.

### **Statements that characterize alignment between IT and Business for Level 5 Companies include:**

1. Senior management agrees on the two to three near-term (six to twelve month) IT-enabled operating initiatives that will be most important in accelerating movement toward the longer-term strategic direction of the company.
2. IT will reshape the company's relevant markets in the next 5 to 10 years

3. There is a constant emphasis on continuous improvement in all business functions, particularly IT.
4. There isn't a need to define and justify BSM processes and products as IT is trusted to do the "right thing".

Level 5 companies that are examples of market leadership are frequently identified through their potential to dominate core markets, and to use dominance in one area to compete more effectively in other market segments. Examples include Google's use of search technology to dominate web content and enter new areas like email; Wal-Mart's use of customized supply chain execution software; Microsoft's integrated desktop functions; or Salesforce.com's use of Software-as-a-Service delivery model to dominate the CRM market and enter new segments like Force.com for cloud computing. Each of these companies is enjoying a sustained competitive advantage and significant market expansion in which their market competitors have difficulty competing with in the long term.

A "strategic" BSM organization has moved their IT organization from being a desirable resource to the business community to being an integrated, active part of the corporate business process.

The IT executive is highly valued for their unique combination of business and technology prowess in upper management meetings. Strategic business discussions are held where IT is trusted to identify technology options that can expedite delivery of desirable business achievements. Normal business processes are correlated into IT services.

## Success Criteria for BSM Maturity

Let's examine four hypothetical enterprises to illustrate how BSM success is appropriately defined by the intersection of a typical IT maturity models<sup>iii</sup> and the BSM maturity model. Each scenario matches the reality of the intersection point with the perception of IT's value by the business community.

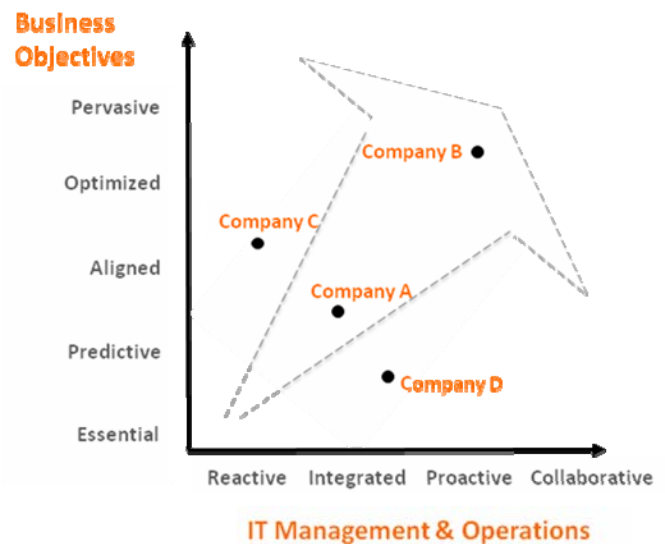


Figure 3: BSM Maturity Scenarios

### *Company A – Predictive BSM: Integrated IT for Profitable/Secure Operations*

Company A could be that health care facility that requires demonstration of secure, compliant IT operations in order to maintain acceptability to government regulatory audits. While rapidly increasing profits may not be the primary management objective of Company A, the ability to meet expenses while simultaneously investing in medical

research and newer health oriented technologies is mandatory for continued operations. The business focus of this particular hospital might not be unique differentiation in competing with regional health care options as much as it would be quality of service to the local community. That quality of service mandates IT management capabilities that deliver an IT environment that is reliable, predictable and cost-effective ...no surprises. Communication and network outages are simply unacceptable to the care and well-being of patients requiring life support and intensive care. Superior first-call-resolution rates and rapid response to IT service issues has a direct impact on the medical community's perception of this facility's overall acceptability.

- Company A *has an acceptable BSM implementation* as the intersection of its BSM maturity level and IT maturity falls within the acceptable range of the "expanding arrow" of BSM Maturity (see Figure 3.)
- The delivery of second stage IT maturity capabilities (Integrated IT) meets the primary business needs of this health care facility.
- It's not only okay, but desirable to be an integrated IT organization for Company A as IT staff can achieve laser focus on those elements of IT management that are paramount to the successful achievement of this hospital's business objectives.

### **Company B - Optimized BSM: Proactive IT for Competitive Differentiation**

Company B could be that profitable retail firm that has achieved product differentiation in part through proactive IT

operations( IT Stage 3) and is now initiating those collaborative IT management activities (IT Stage 4) that can empower sustained competitive advantage for the long term. In the case of this online retail store, the IT organization is creating a collaborative technology environment that connects the business owners, the customer and the supply chain partners into a cohesive and responsive unit. Leveraging the rapid provisioning options of cloud computing and the cost savings of server virtualization, Company B's IT staff are tapping technology and process expertise from a wide range of IT business partners. While a novice to the implementation challenges of web 2.0 technology options, Company B forges ahead with blog and twitter prototypes that allow customers ready access to retail product experts. Due to the growing dependency of Company B's customer to their order processing web interface, IT is stepping up to the appropriate metrics of a successful customer online support group.

- Company B *has an acceptable BSM implementation* as the intersection of its business and IT maturity stages falls within the acceptable range of the "expanding arrow" of BSM Maturity (see Figure 3.)
- The current delivery of Stage 3 IT capabilities (Proactive IT) has laid a foundation for this retailer to rise to their urgent competitive business requirements.
- Both the business and IT organizations of Company B recognize the need to build upon the basics of IT Stages 1-3 if they are to succeed with an IT Stage 4 initiative to enable a long term competitive advantage in their retail niche.

### **Company C – Aligned BSM Reactive IT for Business Value**

Company C could be that regional financial institution that has delivered a profitable and secure business within a highly competitive and cost sensitive industry, and is seeking to establish differentiation in the products and services that they offer to their clients. Due to high turnover within the IT management team driven in part by the unrealistic expectations of product line managers and inconsistent IT budgets, the IT organization is struggling to get out of the Essential (Level 1) mentality and move to a more predictive (Level 2) state of IT.

Yet, when they approach funding discussions with the business community and describe goals, objectives and metrics proposed for the IT organization based on addressing the fundamentals of IT management (SLAs, event monitoring, asset management, expert system for support FAQs, etc.), the business users erupt in frustration as these deliverables don't come close to resembling the perceived management technologies required to differentiate their loan packages and customer service initiatives from their competition.

- Company C *has an unacceptable BSM implementation* as the intersection of its business and IT maturity stages falls outside the acceptable range of the "expanding arrow" of BSM Maturity (see Figure 3.)
- The current delivery of Stage 1 IT capabilities (Reactive IT) is inadequate for this financial institution to rise to their competitive business mandates.

- The business units of Company C don't understand the foundational elements required to successfully leverage IT as a contribution to profitable operations, let alone to differentiate product lines.
- IT is unable to articulate their needs in a way that would capture budget, technologies and personnel to assume a place of responsibility at the senior executive table. Frustration and finger pointing surface at multiple BSM connection points.

### **Company D – Essential BSM: Proactive IT for Business Fundamentals**

Company D could be that mid-sized manufacturing plant that focuses on lowering production costs in order to maximize sales volume and distribution channels. Management of this manufacturing firm have assumed that a higher level of IT maturity will carry them to higher levels of profitability, without corresponding investment in personnel and processes required to improve brand management, regulatory compliance, supply chain, customer service and distribution. An accomplished senior level IT executive was hired to ensure that the latest technology options and processes are established to continue Company D's drive to lower production costs. This IT executive has been successful in creating an integrated IT (Stage 2) environment, but is struggling to justify the investments required to a more proactive (Stage 3) state. Frustration with IT has surfaced among the functional managers who see generous funding to IT without corresponding improvement in the business fundamentals.

- Company D *has an unacceptable BSM implementation* as the intersection of its business and IT maturity stages falls outside the acceptable range of the “expanding arrow” of BSM Maturity (see Figure 3.)
- The current delivery of Stage 2 IT capabilities (Integrated IT) has not resulted in the business advancing from business fundamentals (BSM Level 1 Essential) to profitable and secure operations (BSM Level 2 Predictive).
- IT is getting push back from the business unit owners regarding continued investment levels in IT. The new IT executive is frustrated with the business manager’s inability to grasp technology’s obvious contribution to their business goals.

## BSM Next Steps

The goal of this BSM Maturity discussion is to encourage, demonstrate and illustrate how IT can articulate IT’s benefits in terms that are meaningful and measurable to the business executive. The immediate objective of BSM Maturity is to make the “next step” more intuitive and “doable.” This BSM Maturity Model provides a framework to assess where

your company stands from a BSM perspective – that is the alignment of IT investments to service your business and to support your business strategy and objectives. The model provides a mechanism for IT to assess where you are based on characteristics that are common to both IT and Business. You can then determine which maturity level you have attained and can set sights on achieving the next level.

For the initial assessment, we recommend that you use the model to frame the BSM discussion between IT and Business leadership. Your collective goal will be to establish a common understanding of the value of BSM to the organization and to gain agreement regarding your own level of BSM maturity. Simply going through the exercise will provide clarity regarding both IT and business perceptions of alignment – tactical and strategic.

We are in the process of developing a BSM Maturity Assessment survey that will provide a more detailed approach to assess your BSM Maturity. Our goal is to provide a benchmark capability where you can assess your maturity relative to your industry sector and geography. We encourage you to use the current version of this BSM Maturity Model to start the conversation and establish a benchmark for your organization.

In closing, **BSMReview welcomes your feedback, observations and insights.** Contact our editorial staff by sending you comments to [editor@bsmreview.com](mailto:editor@bsmreview.com).

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<sup>i</sup> Multiple definitions of Business Service Management within [Wikipedia](#) illustrates the current confusion:

1) *"methodology for monitoring and measuring IT services from a business perspective"* – which creates focus on performance management of business applications; 2) *"methodology to help businesses think of everything they do as services that are provided to external and internal customers"* – which broadens BSM to include all business services; 3) *"foundation of IT Service Management (ITSM) where IT functions adopting ITSM have become service-centric"* – which narrows BSM to IT functions and 4) provides *"ability to view technology as it is germane to business process"* – which addresses the need to align IT and business to achieve corporate business objectives.

<sup>ii</sup> While Business Service Management could address the need to better align multiple corporate processes (HR, Sales, Marketing, Finance, etc.) with goals of business entities, this paper focuses on the need to **align IT with business**.

<sup>iii</sup> We are not advocating any one IT Maturity Model. Each vendor, analyst group, service provider has a reasonable version of how to continuously improve the IT skills, processes and technologies required for increasing the maturity of the IT organization. The referenced IT Maturity Model is used for illustrative purposes and for demonstration that the BSM maturity model is unique in perspective.