Crossing the Legacy ITSM Chasm: A Risk/Benefits Assessment

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Executive Introduction

IT Service Management (ITSM) is changing dramatically in scope and value in many IT environments, according to EMA industry research.[1] And yet in some IT organizations, ITSM remains a reactive holdover with declining relevance to both the business and to IT as a whole. This can result in severe impacts on IT performance, business value, and business relevance, as well as escalating costs from administrative overhead and declining IT efficiencies due to lack of cohesive processes, automation, governance, and IT service insights. Legacy ITSM platforms can also impact ITSM efficiencies through rigidity, administrative overhead, and unnecessary consulting expense.

Informed by extensive EMA research and two compelling deployment narratives, this report examines what EMA calls "next-generation ITSM" and its contributions toward optimizing changing IT and business requirements. We will also contrast these advances with the risks of staying with legacy ITSM models and then evaluate and itemize the risks of "doing nothing" and allowing legacy ITSM to persist.

Legacy Versus Next-Generation ITSM

EMA's "ITSM Futures" research established two models for ITSM based in large part on self-assigned success rates and the documented shrinking prominence of the ITSM team. We interviewed 250 respondents—150 in North America and 100 in England, Germany, and France—targeting mid-tier and enterprise deployments. All organizations had 500 or more employees and 38% had more than 10,000 employees. While all respondents were in some way involved in ITSM, we had substantial executive presence—21% were C-level.

EMA captured differences between "extremely successful" ITSM teams and the not so successful, paying special attention to the two extremes. We also contrasted ITSM teams enjoying growth in resources and responsibilities versus those that were shrinking in size. While "success" was self-assigned by the respondents, comparing the extremes produced models that were both logical and clear. For instance, successful ITSM teams were significantly more likely to be growing in terms of staff and budget and be more effective in adopting cloud, etc.

> **EMA captured differences between "extremely successful" ITSM teams and the not so successful, paying special attention to the two extremes.**

Overall a good metaphor for the state of ITSM today is a train climbing a steep mountain. "Next generation" ITSM accelerates upward to the top. "Legacy" doesn't even manage to stand still; it slips backward, unable to move to future requirements ranging from cloud to digital transformation.

Here are some specifics:

Legacy ITSM teams (those ITSM teams shrinking in size, responsibility, and credibility) show the following attributes:

- They are prone to being outsourced.
- They are losing credibility with the lines of business by failing to integrate with and support business concerns. This isn't just shadow IT, but an overall shrinking in responsibility caused by being reactive versus proactive.

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[1] EMA Research, "What Is the Future of IT Service Management?" March 2015.

- They are losing governance, process, and other responsibilities to Operations—which is eroding legacy ITSM team responsibilities— as Operations becomes a more proactive and respected component of IT.
- They are less likely to embrace cloud as a resource for expanding ITSM and less effective with dealing with cloud as an environment to manage. In fact, legacy ITSM teams (those only marginally successful) are 10 times less likely to see the need to address cloud.
- They are being eroded by trends such as digital transformation, agile, and DevOps.
- They are dramatically less likely to have current investments in strategic ITSM requirements, such as integrated operations, shared analytics, advanced automation, configuration management databases (CMDBs), application discovery and dependency mapping (ADDM), service catalogs, and best practices such as those articulated in the IT Infrastructure Library (ITIL).

> **Legacy or disenfranchised ITSM teams are shrinking in size and capital largely because of their inability to keep up with changing business and technology needs.**

Figure 1 highlights why legacy or disenfranchised ITSM teams are shrinking in size and capital largely because of their inability to keep up with changing business and technology needs. The top reason for this, not surprisingly, is outsourcing, but a shrinking role in supporting business needs, challenges of cloud, and a failure to invest in automation and analytic insights all contribute to this trend. Based on EMA dialogs, the "other" category includes a wide variety of factors, such as a lack of resilience in managing change, rigid platform investments with daunting administrative requirements, and political and organizational issues associated with poor ITSM performance.

You have stated that your ITSM team will be downsized. For what reason?

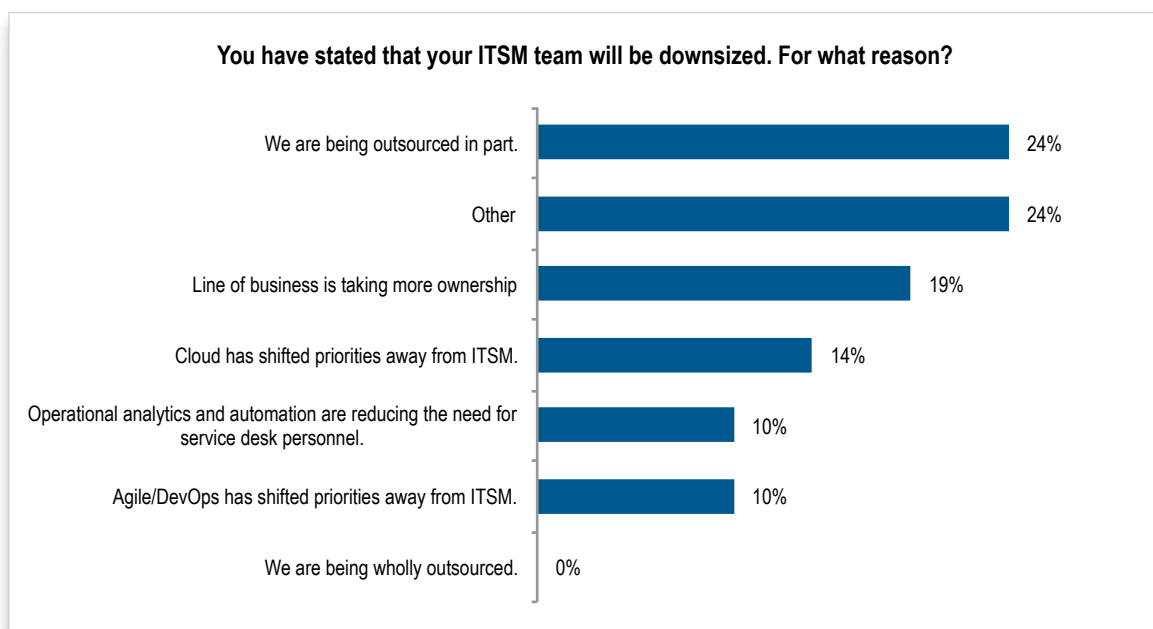| Reason	Percent
We are being outsourced in part.	24%
Other	24%
Line of business is taking more ownership	19%
Cloud has shifted priorities away from ITSM.	14%
Operational analytics and automation are reducing the need for service desk personnel.	10%
Agile/DevOps has shifted priorities away from ITSM.	10%
We are being wholly outsourced.	0%

Figure 1. Legacy or disenfranchised ITSM teams are shrinking in size and capital largely because of their inability to keep up with changing business and technology needs.

Next-Generation ITSM teams (those ITSM teams that see extremely high success rates) show these distinctive attributes:

- They are *more than twice as likely to be slated for growth,* and they get more substantial budget investments.
- They become a resource both for *accelerating and governing operational efficiencies* (rather than being eroded by Operations) through integrated processes and governance.
- They are *four times more likely to have integrated enterprise (or non-IT) services* in their ITSM platform, whereas those only marginally successful are 10 times more likely to have no plans for integration.
- They are *nearly twice as likely to leverage cloud* both as a resource and as an environment to optimize for IT effectiveness.
- They are more likely to provide *higher levels of automation across* IT overall and twice as likely in specifics to invest in advanced levels of automation for change.
- They are *twice as likely to have a CMDB deployed and eight times more likely to have ADDM deployed*—with improved efficiencies in asset management, change management, and even service performance management.
- They are *twice as likely to have a service catalog deployed*.
- They are *two to four times more likely to have strategic priorities for ITS*M across the board, as indicated in Figure 2.

Please select the one greatest priority among your organization's strategic management priorities.

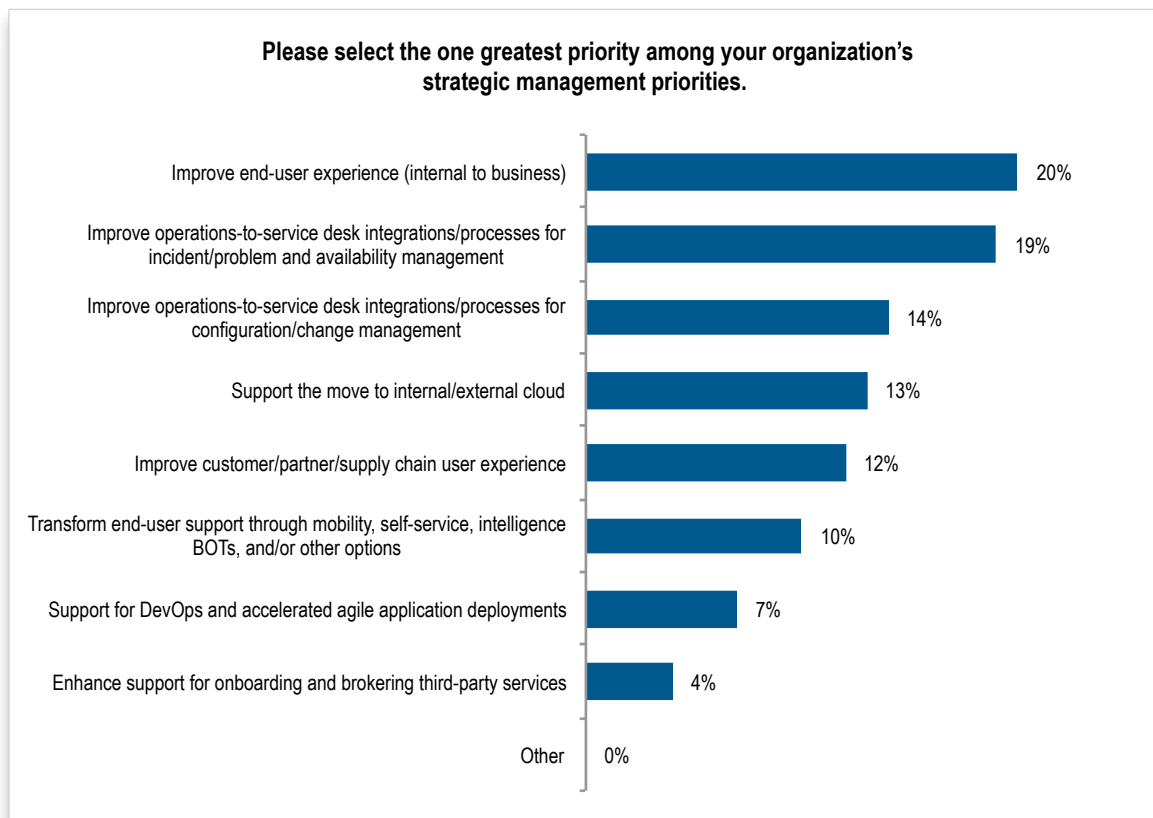| Priority	%
Improve end-user experience (internal to business)	20%
Improve operations-to-service desk integrations/processes for incident/problem and availability management	19%
Improve operations-to-service desk integrations/processes for configuration/change management	14%
Support the move to internal/external cloud	13%
Improve customer/partner/supply chain user experience	12%
Transform end-user support through mobility, self-service, intelligence BOTs, and/or other options	10%
Support for DevOps and accelerated agile application deployments	7%
Enhance support for onboarding and brokering third-party services	4%
Other	0%

Figure 2. Improving end-user experience, integrating operations, and supporting the move to cloud and agile are all key in defining next-generation ITSM.

While these attributes of next-generation ITSM feature added efficiencies and outreach across IT and the enterprise as a whole, by implication they suggest an ITSM platform that's well designed to adapt to changing and expanding requirements with stagnating OpEx overhead or consulting fees. Insights into these unique platform dimensions, so critical to enabling next-generation ITSM, are examined more closely in our two case studies.

The Cost of Doing Nothing, Part I—IT Instability

Without an effective ITSM platform, the effectiveness of ITSM teams, and even IT as a whole, is primarily a function of headcount. EMA consulting has determined that most IT organizations are growing headcount by 5% or less.[2] This is shown in the dark blue line as a function of time in Figure 3. The magenta line shown on this graph represents the growth of the business. Many enterprise-level businesses that EMA has worked with in North America are growing at 20 percent or more, as shown by the magenta line. The delta between these two lines (shown in yellow) represents IT's ability to quickly respond to new demands of the business. In a rapidly growing business, IT can quickly be characterized as an anchor around the neck of business, as demand outstrips supply and business and IT performance continue to diverge.

Figure 3 represents the addition of a third line to represent IT complexity driven by the move to cloud, digital transformation, agile/DevOps, mobile, business changes (such as mergers and acquisitions) and other related trends and initiatives. EMA consulting, industry dialogs and research overall suggest that these added pressures add layers of complexity at a rate that often parallel's Moore's Law, doubling every year. The delta in the shaded yellow in the graph in Figure 3 underscores the resulting instability. This is an instability that impacts both IT and business performance.

The Cost of Doing Nothing
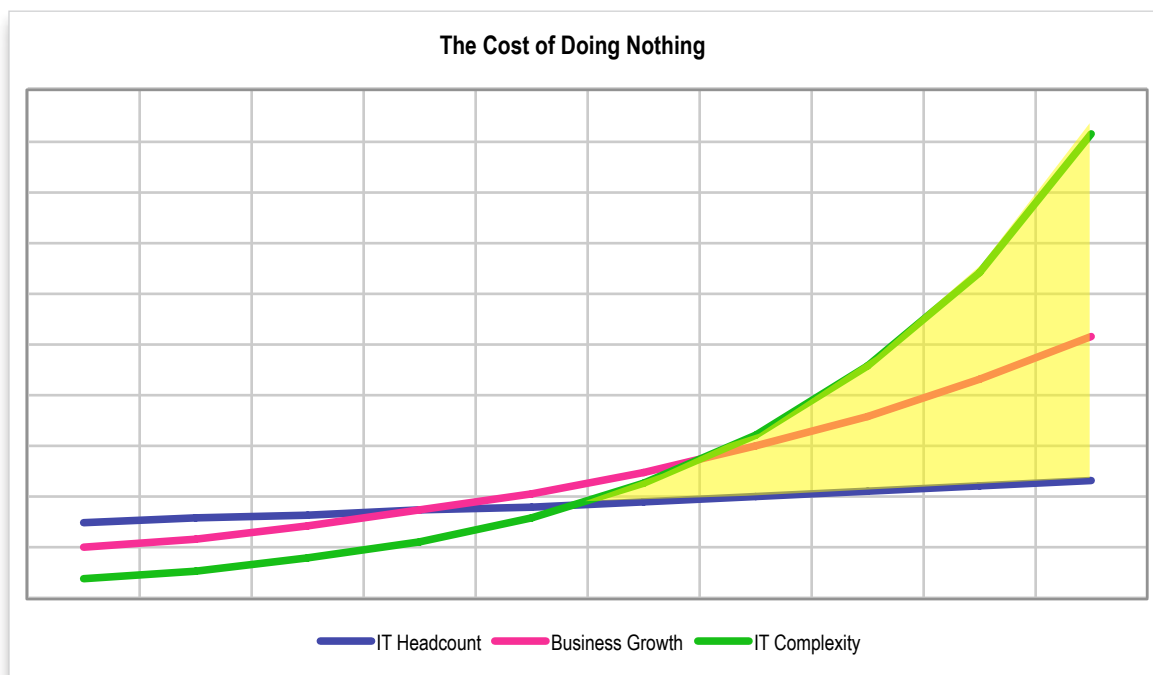
— IT Headcount — Business Growth — IT Complexity

Figure 3. With trends such as cloud, digital transformation, agile/DevOps, mobile, and business changes such as mergers and acquisitions, IT organizations face a strong likelihood of growing instability without an effective ITSM investment to help manage and optimize change.

2 Dennis Nils Drogseth, Rick Sturm, and Dan Twing, CMDB Systems: Making Change Work in the Age of Cloud and Agile, (Morgan Kaufman, April 2015).

Next-Generation ITSM Platform Efficiencies as Revealed in Two Case Studies

The following two case studies provide compelling insights into how a next-generation platform—in both cases ServiceNow—can help to improve both IT and business efficiencies. They also add unique perspectives on the costs/benefits of adopting a next-generation software-as-a-service (SaaS) ITSM platform in terms of administration, deployment, and upgrades. Taken together, they reinforce EMA research data on next-generation ITSM strengths, while adding distinctive, platform-specific commentaries. They also help to set the stage for understanding the implied risks of not crossing the "legacy ITSM chasm"—and sliding backward as business pressures mount and IT complexity grows.

Optimizing Both IT and Retail Efficiencies with Next-Generation ITSM

This interview with a service management consultant for a U.S.-based global retailer underscores the benefits of moving to next-generation ITSM in a unique and demanding retail environment. These benefits feature OpEx efficiencies in maintaining and upgrading the platform, including time efficiencies and headcount reductions, as well as reduced skillset requirements; improved OpEx efficiencies from higher levels of automation and process consolidation across all of IT; and a striking outreach in support of enterprise services across the corporation.

Could you describe your role within your broader IT organization?

Our overall IT organization globally is about 4,000 people, although our two core data centers are both in the U.S. I have what is largely an application/consulting role within my company—in support of IT service management requirements and service management requirements more broadly.

Why did you initially seek to move away from your legacy ITSM platform?

Initially we were looking to get away from a legacy deployment with Remedy. We wanted a web-based SaaS application, and the cost of maintaining and upgrading the Remedy application was something we realized we just couldn't continue to invest in. We had been using Remedy for over 15 years, and the customization overhead in terms of skillset requirements and overall OpEx impacts had become too much for us.

How are you using your ITSM platform currently?

We are using ServiceNow for *incident, change, problem, event, and service request management*, as well as some *asset management and change management*. We also used ServiceNow to support IT and *security requirements with a governance, risk, and compliance (GRC) application where the platform has helped us migrate from largely manual tracking to a more automated system.*

In the area of enterprise services, we've developed *more than ten custom enterprise applications* using ServiceNow as our foundation. One of them is directed at *store maintenance*—managing basic requirements across all our retail environments, like needing to replace light bulb or lighting fixtures or fixing non-IT equipment in our stores. In other words, we're managing retail efficiencies much like we might manage IT incidents. Some other examples include support for *managing rebates* when there are conflicts with customer expectations or customer complaints, as well as *an accounts receivable and an accounts payabl*e application.

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What are some of the other benefits you've seen from your current solution?

First and foremost we've been able to *consolidate our processes for change, incident, and problem management across our entire operation* by leveraging one single platform. Before we had multiple tools and three different change management groups, each with their own processes. So that's been a big advantage in terms of our overall IT efficiencies, [and] unauthorized changes went way down.

In many areas, for many IT processes, *our IT teams were doing a lot of manual tracking*, often using spreadsheets. We do this now across the board in a more automated fashion. Our GRC application is one of the standout examples there. Some other advantages include *definite improvements in ease of use and ease of administration*—and the fact that our solution is continually evolving along with us.

How Next-Generation ITSM Facilitates Business Growth Across the Entire Extended Enterprise

This is an interview with a service management director in a North American–based transportation services company. The dialog itemizes the next-generation ITSM benefits that include both IT and enterprise efficiencies, most notably in HR, as well as striking insights into how next-generation ITSM can support changing business requirements such as acquisitions. It also is distinctive in the values brought to optimizing efficiencies across what EMA calls "the extended enterprise"—including service providers, contractors, and other interdependencies.

Could you share with us some background on your IT organization, the business it serves and your particular role?

My company is made up of many companies that provide wholesale and media services in support of retail outlets for our manufacturing sector in transportation. There are nearly 30,000 employees in our company, which continues to grow significantly as we've made a number of recent acquisitions.

I would estimate that we have about 3,000 individuals in IT currently. I am a director of service management responsible for our collaboration platform and our IT service management platform, where we're using ServiceNow. The overall goal is to optimize team member experience so that IT teams, contractors, and even relevant service providers, as well as business users, can collaborate and get what they need from IT and from enterprise services more effectively.

Can you explain more about how and why you got started on this transformational process?

About two years ago we realized that there was what you might call a "complexity gap." As we made new acquisitions and just grew otherwise, we were facing increasingly complex challenges across ever more heterogeneous technology investments and fragmented processes. We needed to find a far more fluid way to get people engaged very quickly, and collaboratively, in supporting both the common processes we all share across our entire corporation and the unique process requirements of each individual company. For instance, we just acquired a very large competitor that has 22 different business units in itself and a variety of brands to support.

What are some of the advantages your new platform achieved after leaving fragmented legacy ITSM technologies behind?

ServiceNow has tied all that together for us and gave us the visibility we needed across our complex and geographically dispersed business ecosystem. This can provide huge value on a number of fronts, such as much improved *OpEx efficiencies* and much *improved service delivery in all areas*. Some of the more salient advantages include:

- We really like the simplicity with which we can configure the ServiceNow platform and automate our business processes. In our deployment, we did everything we needed through configuration with just two in-house resources, which saved us $150,000 compared to investing in external professional resources. Our mandate with ServiceNow is to keep everything *simple, consistent,* and *repeatable* and use the platform for configuration rather than for customization and coding.

- We also like the fact that our platform follows ITIL standards so we don't have to recreate the wheel here. This helps us to *accelerate our best practice requirements with less operational overhead*.

- *Upgrades* are definitely an area of improvement. We can now do in *two-weeks time what it took us two months* to do in the past, with new feature functionality much more quickly available to our teams and customers.

- And we liked the fact that we had a true *SaaS* solution, which also has helped us to *reduce added operational overhead significantly*.

- We also needed the *flexibility of a solution* that could adapt to our tiered system of service support effectively, including localized service teams, HR teams, and other teams as well as two employee service support call centers. We have over 14 help desks distributed throughout different organizations, and yet we wanted to standardize processes so everyone gets a common user experience. We're also seeking to *avoid making our people travel unnecessarily*. For instance, we wanted to make sure that we could bypass tier 1 administrators, for instance, when self-service requirements across all our businesses dictated tier 2 expertise. All this required ease of deployment, flexibility, and the ability to customize when needed, as well as ease of integration across many different sources from many different environments.

- Another benefit was *more effective performance tracking* overall so we can better evaluate where we are, how we've improved so far, and how we can better prioritize where we want to go from here—both centrally and in streamlining our processes across all our various help desks.

- *Automation* has been a strong value—for supporting and accelerating service management and other processes in incident management, change management, enterprise services, and other areas. In fact we continually seek to find ways to automate incident resolution, request management such as *onboarding new employees,* and other processes without having to tap into IT overhead.

- We've also enjoyed improved *visibility into the impacts of changes on service performance and availability*, so we can more quickly get to the root cause of many of the issues caused by changes and begin to automate fixes more consistently.

- All of these factors have resulted in a *more proactive use of IT skills in supporting business* needs based on a wide variety of ServiceNow advantages.

- From an enterprise perspective, we've also enjoyed significant *benefits specific to HR.* Our two employee service centers were overwhelmed with calls and emails. By creating an HR self-service portal, automating processes, and moving to a tiered support model, we *freed up service center call agents* to deal with more complex HR inquiries, which has *saved us nearly $100,000 in operations efficiencies to date*. We're also better able to understand how HR is performing and where and how we can improve.

The Cost of Doing Nothing, Part II:
A Cost/Benefit Analysis

The two case studies included here serve to validate many of the conclusions reached in EMA research on next-generation ITSM adoption, while adding distinctive cost/benefit insights into a next-generation SaaS model for ITSM. In both cases, the benefits achieved reflect a much-needed transition from legacy ITSM in a wide variety of ways. Based on these two interviews as well as EMA research data, a summary of the risks of staying with legacy ITSM is as follows:

- **Excessive costs in administrative overhead –** This includes advanced IT skillsets being sidetracked to support administrative overhead in deployment, ongoing administration, and upgrades. These costs can also include extravagant consulting fees in deployment, upgrades, and customization.

- **Broken processes across IT with OpEx inefficiencies and service breakage –** Here the lack of adaptability in workflow creation and low levels of automation result in significant OpEx inefficiencies. In one case we even saw the potential for travel costs to escalate as subject matter experts (SMEs) were being asked to travel to address problems in remote locations due to inconsistent and fractured processes. Inflexible, non-adaptive process workflows also result in disruptions to service availability and service delivery. The issues here include a number of variables. Some of the more salient include:

  ◦ **Exasperating OpEx costs** across all of IT

  ◦ **Excessive Mean-Time-to-Repair (MTTR)** across IT and Operations

  ◦ **Reduced Mean-Time-Between Failure (MTBF)** as failures increase

  ◦ **Lack of enterprise productivity due to service breakage**

  ◦ **Lack of enterprise productivity due to service requests** such as onboarding new employees to getting new application services

- **Inability to manage and support change across the service infrastructure –** This deserves its own area of attention, due to the challenges of trends such as cloud, agile, DevOps, and even mobile. Broken, fragmented processes in legacy ITSM will also serve to paralyze not just ITSM teams but IT as a whole in embracing and optimizing key technology requirements across a shifting IT landscape. They can also result in increased CapEx costs as adopting to new infrastructure opportunities get put on hold and insight into existing infrastructure performance remains obscured, siloed, and inconsistent.

- **Inability to manage and optimize the extended enterprise (partners, service providers, contractors, etc.) –** Little could be more important in the age of cloud than optimizing process interdependencies across many groups beyond core IT, and in particular across the extended enterprise. Since legacy ITSM creates an implosion of inefficiency within IT's core, it can and will invariably stifle IT organizations faced with trying to manage and optimize process efficiencies across service providers, contractors, partners, suppliers, etc. Based on ongoing dialog with the industry, EMA sees this as a high-growth requirement for advancing IT organizations.

> The two case studies included here serve to validate many of the conclusions reached in EMA research on next-generation ITSM adoption, while adding distinctive cost/benefit insights into a next-generation SaaS model for ITSM.

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- **Inability to support and enable change across the business environment –** Legacy ITSM will crumble under the weight of quickly evolving business models. This can include a wide variety of risks, but some of the more salient include:
  - **Inability to provide consistent service delivery to customers** due to issues such as fractured service delivery and poor service performance
  - **Inability to assimilate changing organizational and business models** as exemplified most dramatically here in the discussion of acquisitions in our second interview
  - **Inability to optimize enterprise business processes** as exemplified in both case studies— including HR, retail operations, and customer management, as just a few examples

EMA Perspective

The transformative value of next-generation ITSM is relevant not just to ITSM teams, but to all of IT and to the enterprise and business it serves. Failure to invest in the upward climb of the "ITSM train" will likely result in a backward decline that will impact the broader IT/business community.

Research, consulting, and ongoing industry dialog reinforce the fact that next-generation ITSM is taking a central position in supporting both IT and digital transformation from both a technology and process perspective, lending insight, governance, and process efficiencies to both IT and enterprise stakeholders. The biggest risk in legacy ITSM is to exacerbate failures in all these areas while remaining encumbered by static, administratively challenging investments. This will invariably result in negative consequences, such as those outlined here.

About ServiceNow

ServiceNow is changing the way people work. With a service-orientation toward the activities, tasks and processes that make up day-to-day work life, we help the modern enterprise operate faster and be more scalable than ever before. Customers use our service model to define, structure and automate the flow of work, removing dependencies on email and spreadsheets to transform the delivery and management of services for the enterprise. ServiceNow enables service management for every department in the enterprise including IT, human resources, facilities, field service and more. We deliver a 'lights-out, light-speed' experience through our enterprise cloud – built to manage everything as a service. To find out how, visit www.servicenow.com.