

ALIGNING IT STRATEGIES WITH BUSINESS EXPECTATIONS FOR DIGITAL TRANSFORMATION:

Recommendations to Improve Business Agility,
Employee Experience and Process Automation

IDC ITSM End-User Research Findings

October 2018

An IDC InfoBrief, Sponsored by

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BUILDING A BUSINESS-ORIENTED IT SERVICE MANAGEMENT FOUNDATION IS KEY TO DIGITAL TRANSFORMATION

Almost all (96%) organizations have a digital transformation (DX) strategy, with 57% approaching it as an enterprisewide priority.

IT transformation is at the heart of DX, with 88% of organizations seeing IT as “very important” or “important” to successfully execute on digital innovation. The role of IT to propel DX is even more emphatic among large enterprises and highly disrupted industries such as finance and healthcare.

IN FACT, IDC PREDICTS THAT:

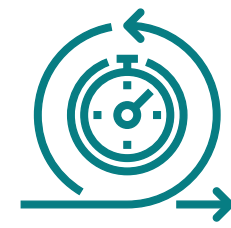
By 2020, 60% of CIOs will implement an IT business model and a digital-first culture that focuses on creating digital products and services that improve user and employee satisfaction. Business-oriented IT will take centerstage in DX Journeys.

But our 2018 ITSM End-User Study finds that FEWER than 6% of organizations have core IT embedded in digital innovation (IT and applications management is smooth, modern, optimized, and automated only for these handful of orgs). THREE QUARTERS admit that IT needs to get closer to the business and “develop skills in business strategy.” According to the study, two of the key challenges for successful transformation of the business are providing engaging user experiences and the lack of skills and talent.

Given the top 4 considerations to execute DX and business innovation...



Governance, risk, and compliance management



Agile delivery of applications and services



Knowledge management and sharing



Skills and talent management (people)

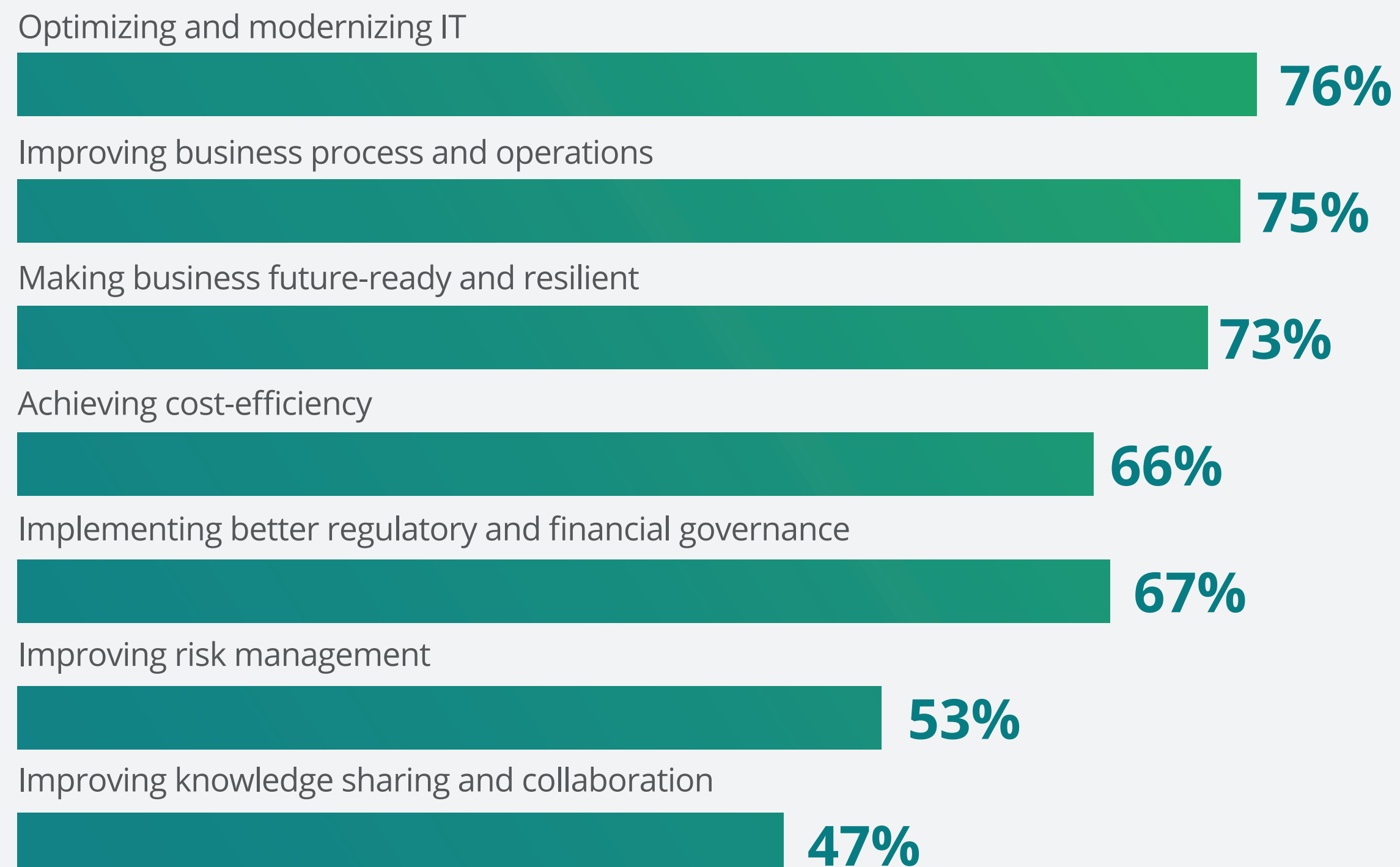
... it appears that transforming IT service management (ITSM) is a key aspect of the technology dimension in the DX journey. Delivering business-oriented IT services can turn IT departments from the “most complained about” to a shining star.

As a result, more than THREE QUARTERS (77%) of organizations want to make ITSM processes more agile to support business needs.

Those that transform ITSM can improve business resilience to risks, beef up security, improve user experience to retain talent, and transform the business. Ultimately, this helps the business move at the necessary speed and meet the expectations of the customer or employee in the digital era.

BUSINESS OBJECTIVES: WHAT ENTERPRISES WANT TO ACHIEVE THROUGH DIGITAL TRANSFORMATION INITIATIVES

Key business outcomes organizations expect from DX are:



But, to achieve these outcomes, there are three areas to consider:



RISKS

Security, financial, and governance; right processes and lack of visibility



PEOPLE (WORKFORCE)

Improving the employee experience, locating/attracting the right skills and talent



PROCESS

Lack of advanced automation, lack of agile service/app delivery

IDC sees modern IT and IT service management (ITSM) strategies as important to address ALL 3 AREAS of consideration and overcome the DX challenges. Our ITSM research shows that one **key requirement for accelerating DX initiatives is aligning IT and the business**. An overwhelming majority (81%) state that achieving business agility is the TOP driver that will shape IT strategy by 2020. BUT...

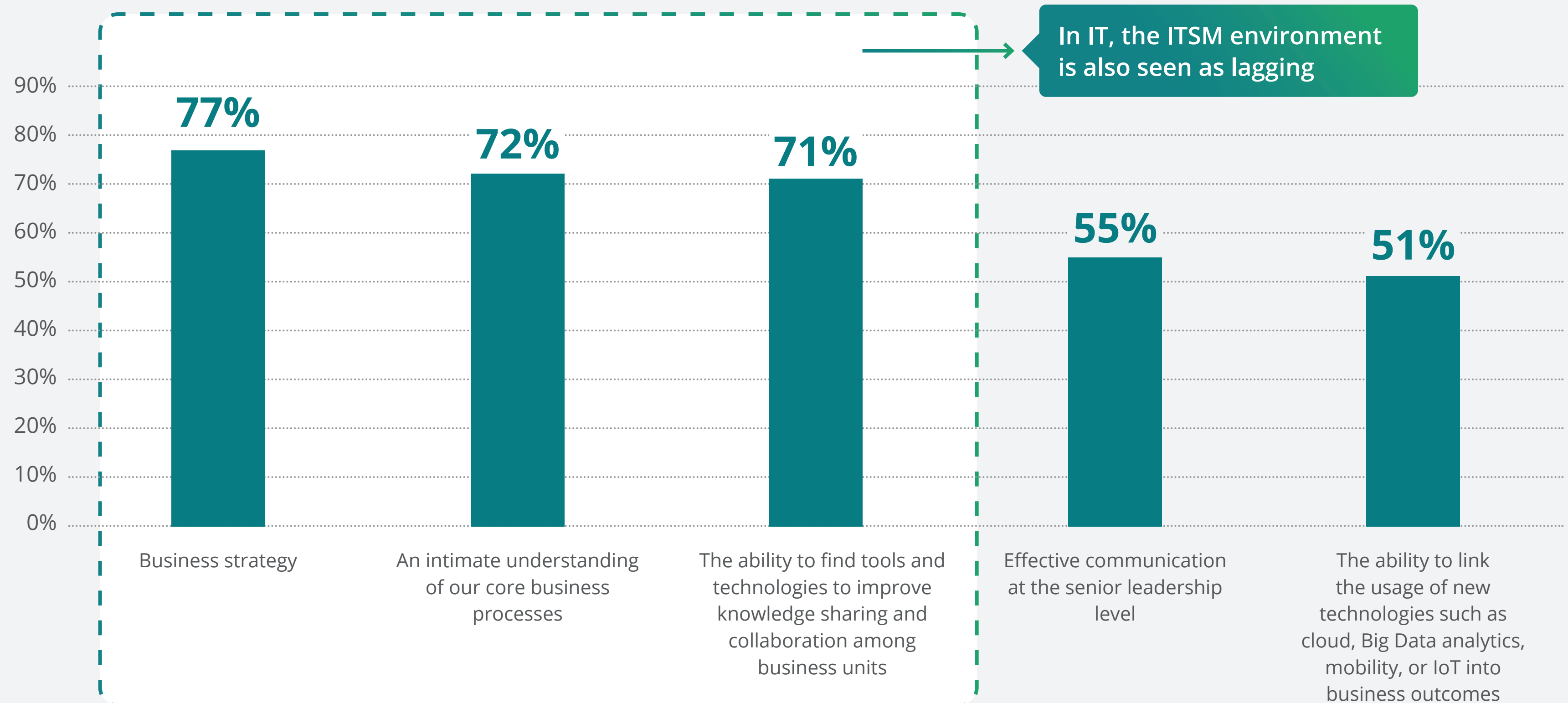
THE CHALLENGE: GROWING CHASM BETWEEN IT AND BUSINESS USERS' EXPECTATIONS OF IT IS CHALLENGING DX PROGRESS

The study of 300 enterprises reveals that there are clear gaps between IT and the business, leaving a lot to be desired. For 35% of organizations, this gap between IT and business is a **key obstacle** in running digital innovation projects.



It is clear that the integration of IT with business is the **MOST DESIRED SKILL** needed for DX Success

Q. What new skills should IT leadership have to be effective in your organization's digital or new business initiatives?



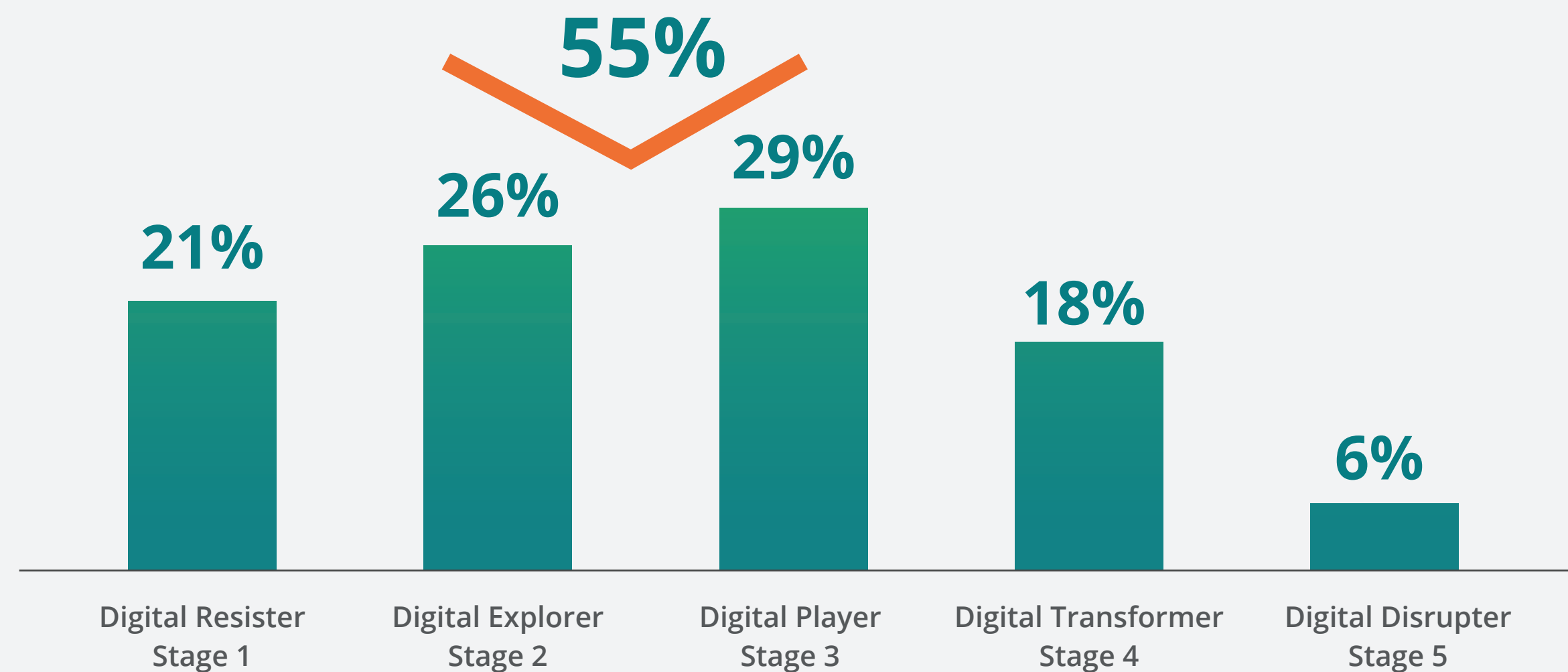
THE IMPERATIVE: WHY MODERNIZING IT SERVICE MANAGEMENT IS CRITICAL TO PROPEL A NEW WAY OF WORKING TO SUPPORT DIGITAL TRANSFORMATION

The Digital Deadlock!

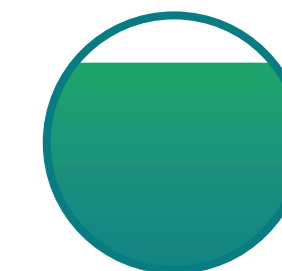
Organizations are facing several practical challenges after kickstarting digital transformation.

IDC research shows that 55% of European organizations are stuck in DX journeys and are struggling to transform at enterprisewide scale. In conversations with IDC, enterprises admit that it is stage 4 that truly brings a difference and improves competitive standing.

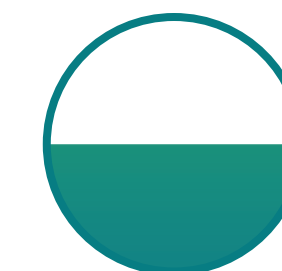
Developing IT capabilities that drive employee productivity, innovation, and agile delivery of services is key to successful DX.



The ITSM study reveals that existing legacy IT environments, processes and ITSM strategies are hampering DX progress and contributing to this “digital deadlock.”



For a whopping 80% of businesses, infrastructure, IT management complexities, and meeting security needs are hurdles to executing on DX.

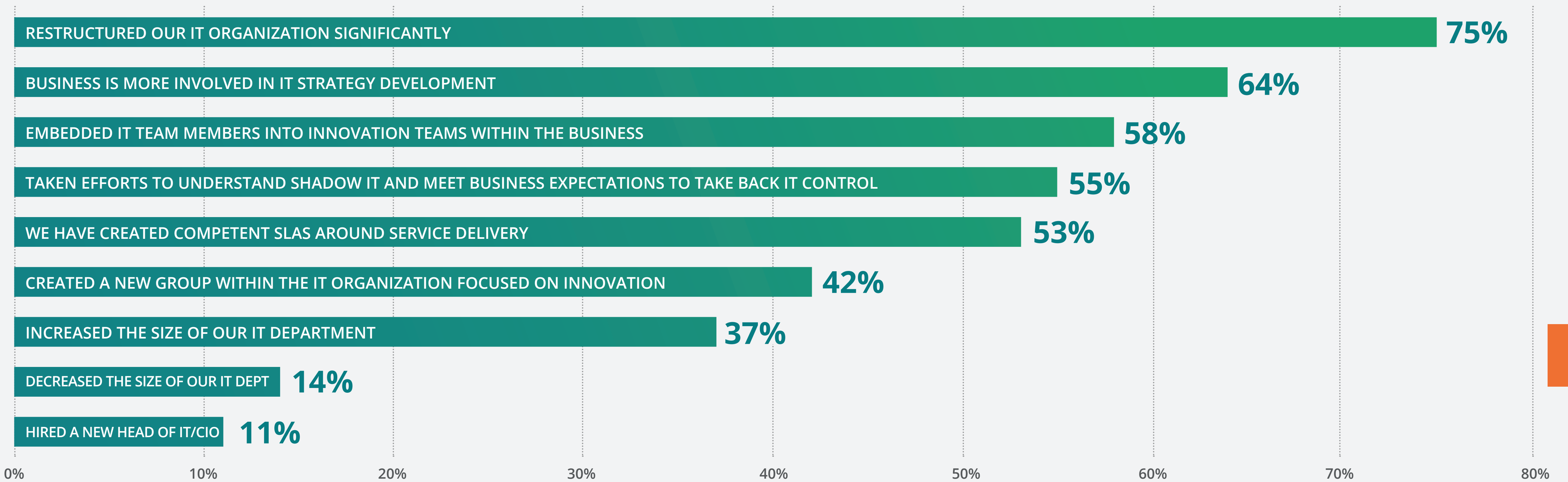


For nearly half of organizations, ITSM limitations such as a lack of tools to remediate IT problems quickly and to provide effective support of technology for users were primary obstacles.

THE SOLUTION: **TAKING THE FIRST STEPS IN MAKING IT “BUSINESS-ORIENTED”**

To break through this deadlock, organizations are beginning to transform IT and organizational structures to take steps to bring IT and business closer together.

Q. Which of the following changes — if any — have taken place in your IT organization in the past 12 months?



BEYOND FIRST STEPS: CREATE FRICTIONLESS IT SERVICES AND EMPOWER THE BUSINESS TO DRIVE DX

Acknowledging the need to align IT and business teams together is a critical first step, but the journey doesn't end there.

Enterprises need to create a frictionless IT services strategy aligned with business goals and focus on developing IT services capabilities that improve employee productivity, innovation, and agile delivery of services that are key to successful DX.

Managing performance, availability, and service quality becomes an important requirement as digital transformation and the IT landscape evolve rapidly. A strong IT services management (ITSM) strategy can enable operational excellence, customer satisfaction, and IT agility. It helps create the blueprint for business and DX-friendly IT architecture.

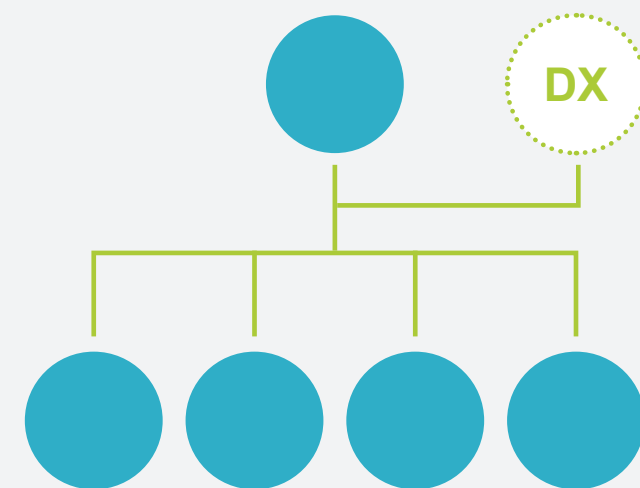
The study highlights how ITSM transformation is tied to key business outcomes aligned to DX objectives:

- **Modernizing ITSM tools. 83% of businesses said modernizing their ITSM tool with a more agile solution was an overwhelming priority.** ITSM agility improves IT's value to the business through faster problem resolution and reduced service desk calls, and in turn improve developer and employee productivity and speed of innovation.
- **License management.** As IT becomes more fragmented and complex, license and contractual agreements are becoming a management headache. Gaining deeper visibility through ITSM and better ability to manage full asset lifecycle and asset tracking is becoming fundamental for 68% of businesses, making "frictionless" IT services strategic and critical to business process improvement and risk management
- **Unified ITSM strategy.** Having a unified and consistent ITSM strategy to make meaningful comparisons between environments or applications was also important to more than 60% of organizations.
- **Employee experience.** What also stood out was the emphasis on simplicity and easier user experience. Improving self-service adoption to resolve business issues faster was important for over half (53%) of large organizations.

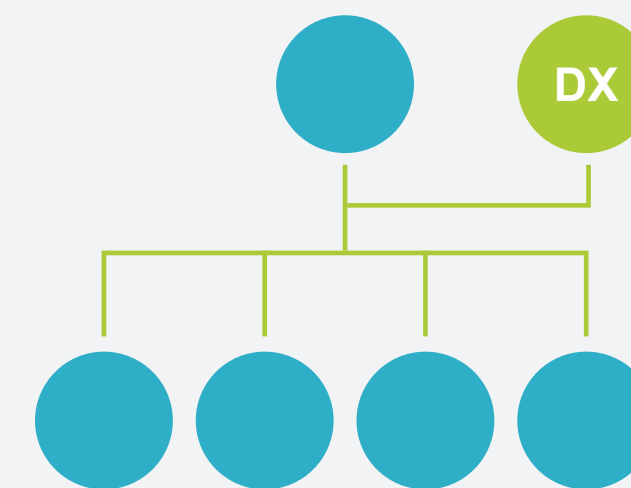
THE ULTIMATE GOAL: BLUEPRINTS OF HOW DIGITAL, BUSINESS AND IT TEAMS OPERATE IN A UNIFIED, FRICTIONLESS WAY

Getting the organizational setup right is critical to achieve and practice as DX journey progresses.

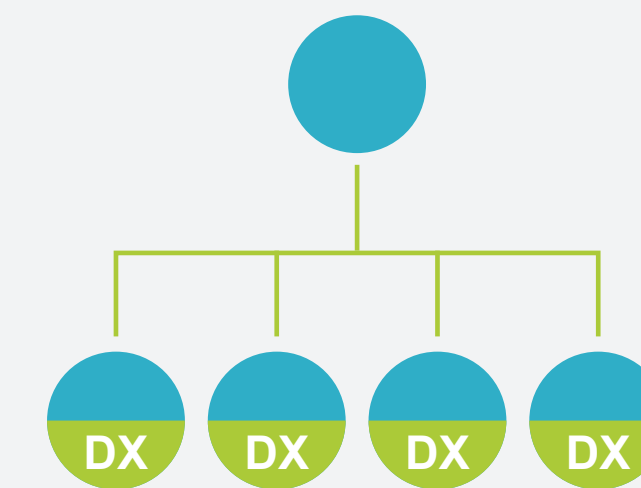
The DX Special Projects Team



The Office of Digital Transformation



The Embedded Digital Business



IT DEVELOPMENT APPROACH

Waterfall Start-up Practices

Agile Value Stream

Agile Design thinking

PRIORITIES

Everything

Customer/Employee Experience

New DX Business Models

IT CHALLENGES

Finding the Right External Partners

Managing Innovation Sprawl

Integrating Innovation

IT DELIVERY CYCLES

Months

90 days or less

90 days or less

THE BENEFITS OF TRANSFORMING ITSM: ENTERPRISES THAT HAVE MODERN AND BUSINESS-ORIENTED IT SERVICES ARE REAPING REWARDS



For the small minority of organizations (6%) that have core IT embedded with digital innovation, their IT and application management is smooth, automated, optimized, and modern. The same number of enterprises (6%) are at the highest level of DX maturity — Stage 5 “Digital Disrupter,” revealing the close ties between IT transformation and digital transformation.

For only 4 out of 10 enterprises, core IT is connected to most digital innovation (business productivity is high, ITSM SLAs are met). But because ITSM modernization is not holistic and IT is not embedded with digital, it is difficult for them to break free from the digital deadlock.



These enterprises are exceptions, not the norm.

The study reveals that the vast majority of enterprises still struggle with existing ITSM pain points, prompting action.

THE PAIN POINTS THAT TRIGGER THE NEED TO INVEST IN MODERNIZING ITSM

A majority (59%) of organizations spend 15%-24% of their annual IT budget on IT services. For almost three quarters (70%) of organizations, 10%-20% of this is dedicated to ITSM.

Despite ongoing investment, ITSM continues to be a pain point for organizations, and does not support their new business and digital transformation initiatives adequately.

Existing ITSM architecture is severely lacking in: _____

AGILITY. For 7 out of 10 organizations, it is not agile enough to deliver IT to business faster.

VISIBILITY. 6 out of 10 don't have the granular visibility to detect IT service issues and fix them quickly.

More than 50% of organizations also struggle with: _____

BEST PRACTICES. Adapting best practices such as ITIL or DevOps because of ITSM limitations.

SELF-SERVICE. Having high volumes of service desk tickets with no self-service in place.

QUALITY. Cannot meet performance, availability, and service quality expected by business users.

For nearly 50%, complexity and manual operation of service desks and tickets leads to low productivity, and high costs of ITSM software.

As a result, maximum investment in ITSM transformation will be channelled towards **quickly identifying and resolving problems related to:**

1. Infrastructure, devices, and operations **74%**
2. IT end users **56%**
3. Applications **56%**

WHERE TO INVEST TO OVERCOME THE PAIN POINTS? ITSM INVESTMENT PRIORITIES BETWEEN NOW AND 2020

Great strides have been made by modern ITSM vendors in embedding automation, graphical user interfaces, simplicity, and low-code configurations. These features are significant as enterprises adopt newer methodologies such as DevOps and hire “IT generalists” who perform a wide array of IT management tasks and focus on digital transformation.

In fact, IDC predicts that situational application needs will drive growth in the numbers of low-/no-code developers by triple digits through 2021, with these nontraditional developers building 20% of business applications and 30% of new application features in that year. Enterprises that are serious about their future in the digital world need to embrace these new functionalities and features in modern ITSM tools to empower this new breed of business users and developers.

The top 10 ITSM priorities revealed in the study give a glimpse into how ambitious businesses want to leverage innovation in modern ITSM tools and transform service management.

- Make ITSM processes more agile → Eventually leverage modern ITSM for DevOps
- Improve business process automation, orchestration, and management
- Leverage automation to streamline IT services delivery
- Reduce ITSM costs and complexities
- Improve IT and financial management to optimize use of technology assets
- Implement best practices for governance, security, and compliance, such as ITIL
- Improve user experience to boost productivity and support innovation – 65% insisted on this!
- Improve IT services delivery and meet business expectations of IT
- Invest in self-service technologies to make ITSM user-friendly

The emphasis is clearly on speed of business, costs, risk, and customer satisfaction.

This clearly aligns with the 3 areas of consideration — risk, people, process.

NEW KPIS TO MEASURE DX SUCCESS: TRANSFORMED AND BUSINESS-ORIENTED IT SERVICES CAN HELP YOU GET HERE

Success Metrics	Innovation Rate	Customer Advocacy	Data Capitalization	Business Operations	Workforce
FINANCIAL KPI	40% of company capital budget allocated for DX initiatives by 2020	20% more profitable customers each year for three years	Platform strategies drive data-related IT investments to exceed 25% of total IT by 2019	Achieve 50% market share for target DX products or service by 2020	50% of executive compensation tied to digital MBOs
BUSINESS KPI	80% of DX innovation initiatives approved for implementation by 2020	Improved customer NPS score to positive 50/100 by 2019	Platform-related revenue accounts for 10% increase in total revenue each year over five years	Introduce 1 new DX product or service each year for the next 3 years	Percentage of on-demand, knowledge worker labor hour increases by 10% per year over three years
OPERATIONAL KPI	Companies spend 10% less per year on DX failures over three years	Increased customer interactions for 50% of non-profitable products within one year	APIs reduce data acquisition and sharing costs by 50% over three years	Delivery of each competitive DX product meets 80% of expectations for sales, customers, and scalability each year	10% of repetitive enterprise interactions are augmented by AI each year for three years

CALL TO ACTION: **ACKNOWLEDGING THE VALUE OF IT TRANSFORMATION IS A MUST TO MAKING IT BUSINESS-ORIENTED**

A low number of organizations (18%) state that self-service and request management are the areas of least investment, while 11% state knowledge management and self-help technologies are areas of least investment.

Although this is a small percentage of organizations, we urge companies to ensure that they are developing a culture that evaluates IT service needs from a business and user perspective. Doing this improves IT usage satisfaction, which can have a positive impact in making DX successful.

Remediating IT issues quickly and enabling self-help IT strategies can empower and motivate business users to innovate faster.



KPIS TO MEASURING ITSM SUCCESS: EMPOWERING EMPLOYEES WITH HIGHLY SATISFYING IT SERVICES — A DIFFERENTIATOR FOR COMPETITIVE ADVANTAGE

Progress across all the top ITSM considerations of risk, people, and process must happen in a somewhat aligned fashion to tackle the deeply entrenched legacy culture, IT, and process issues.

Transforming user experience: Determined organizations are seeking to leverage innovation from modern ITSM vendors to meet IT users' needs and give them fast, simple, and satisfying IT services experience to boost productivity, collaboration, and talent retention. As technology innovation and digital transformation become commonplace, there is a skill and talent war emerging in which organizations are striving to attract the best talent to architect their digital business plans.

IT consumerization has reset people's expectations of IT. So, ultimately, IT that moves at the speed of business and customers will have a direct, positive impact on accelerating innovation. It will also plug the chasm between IT and business.

Those organizations actively transforming their ITSM and IT architectures are looking for:

- Ease of use and modern features and functionalities — such as drag-and-drop configuration, high scalability, or low-code customization — stood out as the top criteria for investment (74%)
- The ability to provide access to ITSM through role-based apps, portals, and dashboards to improve the user experience were the second set of criteria on the wish list, with this topping the list for large enterprises (68%)
- Advanced self-help, mobility, and self-service capabilities that deliver knowledge in an effective way were also important

Transforming process and technologies: ITSM modernizers are also looking for solutions that can help with:

- Better visibility into financial and service utilization data such as license compliance, asset depreciation, and budget allocation
- Automation with powerful business rules to streamline complex processes — getting the fundamentals of ITSM automated and running smoothly to free up time for innovative projects
- The ability to separate data and security to support geographic or departmental needs in one instance
- Analytics and reporting capabilities to visualize service delivery trends and deliver robust SLAs

Transforming cost and risk issues associated with legacy:

- Low total cost of ownership with flexible licensing and deployment models (SaaS, on-premise, on-premise subscription)

ESSENTIAL GUIDANCE AND IDC RECOMMENDATIONS

Digital transformation is no longer a choice, it is a business imperative. It is clear that ITSM and broader IT strategies need to evolve and tightly align with business goals and user expectations from IT. Infrastructure modernization, business process modernization, and IT service management modernization are all essential to deliver on digital objectives effectively.

If you are experiencing the challenges highlighted in this paper, IDC recommends:

- ✓ Think business-oriented IT — Develop a culture of digital-first and innovation-first strategy and unify IT, business and digital teams — Innovation cannot happen in silo!
- ✓ Address the three considerations of people, risk, and process in an aligned manner.
- ✓ Transform IT and ITSM to facilitate new ways of working such as agile service delivery, next-generation self-service, mobility, and support for DevOps.
- ✓ Put employees and customer experiences at the heart of all IT and business initiatives.
- ✓ Implement best practice-based IT processes to support governance, risk, and compliance.

When investing in ITSM to drive DX:

- Tie ITSM projects tightly to business goals — look for effectiveness as well as efficiency.
- Assess ITSM process for maturity and automation to ensure the shift towards agile and DevOps methodologies and digital transformation.
- Increase focus on delivering employee and customer experiences to drive improved productivity and enhance engagement with processes such as modern design, context-aware user interfaces, next-gen self-service, self-help, and virtual agents/assistants.
- Invest in an ITSM platform that supports a journey toward higher levels of maturity and advanced automation to streamline delivery of technology and services.
- Maintain agility and flexibility for advanced IT business models, such as low-code configurations, multilingual support, dedicated instance deployment, and flexible delivery models.
- Focus on effective curation and delivery of enterprise knowledge to drive better employee experiences and empower the effectiveness of AI technologies.
- Evaluate ITSM vendors that are committed to innovation and meet your digital transformation needs at your pace, cost, and terms.

Remember, digital transformation is a continuous journey and a method to withstand disruption. It can be said that businesses across industries are technology or software businesses first. Digital transformation initiatives without business-oriented, automated, and modern IT and IT services management can fail in making the transformation truly enterprise-wide and effective.