



Insight

The Future of IT Services Management and Delivery in the Overreaching Digital Economy

Sherrel Roche

IDC OPINION

IT service management (ITSM) is an important component supporting the IT department that enables it to deliver business value while meeting the organizations strategic objectives at an optimal cost. The evolving IT landscape and the influx of digital technologies including cloud, mobility, Big Data and analytics, and social — collectively called the 3rd Platform — are disrupting the way services are delivered and managed in an organization. This requires IT to rethink and emphasize on automation, self-service, improved collaboration and integration of IT "business-oriented" services. In the light of all of this the role of IT is moving from being just a "cost center" to a "strategic enabler" of digital transformation (DX). As ITSM extends to business services management (BSM) and IT as a service (ITaaS), IT staff will become more like business analysts rather than system admins, and vendor and contract management will become a key skill.

In an organization, central IT is no longer the sole IT service provider; instead, services are also delivered by a combination of shadow IT within lines of businesses (LOBs), third-party service providers or outsourcers, and multiple types of cloud service providers. Both IT and business users increasingly need to partner to focus on the accountability of the business-oriented metrics. IT departments need to partner with LOBs to understand and achieve business objectives, provide value to customers, and respond to the rapidly changing business environment.

In line with these evolving changes, businesses are insisting on both internal and external IT to evolve from traditional ITSM to an ITaaS architectural approach and framework, enabling them to easily create, broker, integrate, and manage services. This "New ITSM" necessitates a change in central IT's mindset and behavior requiring the IT department "to be run as a service business" and link IT services with business outcomes. With ITaaS, agility, availability, consistency, and pricing of competitive IT services becomes crucial along with service level agreements (SLAs) being based on business outcomes.

For CIOs in Asia/Pacific (excluding Japan) (APEJ) region, ITaaS is quickly becoming the goal for future models for IT and business service delivery. With this operational transformation looming, IDC recommends that to stay relevant, IT departments will now need to start looking at "customer experience" and "business outcomes" as new components of ITSM in addition to the traditional metrics of availability and performance. IDC opines that IT departments looking to move up the maturity scale need to expand their ITSM practices to include BSM to support the ITaaS model. To achieve this, they must address the following concerns:

- We believe that although organizations in the region are interested in ITaaS as a new service delivery model and plan to build on existing ITSM practices by adding a new set of processes and automation technologies focused on accelerating the delivery of services and optimizing

the end-user experience, the lack of internal skills will be a major stumbling block for most organizations. This lack of ITSM skills will be a key driver for the increased use of professional services specialists that have ITSM and ITaaS expertise.

- The widening gap between IT's alignment with the business, meeting the business objectives, and the challenges faced in relation to maximizing shareholder value is bringing back focus on how IT has to play a more proactive role in addressing businesses' technology needs. IT needs to drive continuous and competitive service innovation and support high-quality service delivery.
- Lack of experience and the inability of the internal IT to grasp how organizations want services that meet business needs and deliver on customer experience are significantly altering how IT services are being sourced. IDC research indicates that organizations increasingly want to engage with external services providers to integrate DevOps practices with ITSM processes, define and implement IT Infrastructure Library (ITIL) processes, and adapt existing IT processes to include new digital technologies. The implementation of these solutions will require a change in the status quo and IT departments may not have the expertise to deliver on this change.

IN THIS INSIGHT

This IDC Insight highlights the growing importance of IT services management (ITSM) in the light of digital transformation in organizations. Traditionally, ITSM includes the entire set of processes designed to manage and improve the way IT is deployed in an organization. However, due to digital transformation (DX), ITSM is now maturing to include agile and automated services critical to business operations. IDC has observed — through end-user surveys, and meetings with service providers (SPs), and technology buyer organizations — that ITSM will continue to move toward "business-oriented" services demanding IT to effectively broker, integrate, and orchestrate 3rd Platform technologies essential for DX.

SITUATION OVERVIEW

Globalization, digitalization, and the automation of businesses are rapidly changing IT services management and services delivery. As organizations embark on the digital transformation journey, IT departments have been pressured to meet the demands from LOBs to align their services to organizations business goals. IDC's latest *Asia/Pacific (Excluding Japan) IT Services End-User Survey* reveals that 81% of the enterprises in the region consider ITSM to be a key part of IT service enablement, with growing focus on alignment of business with IT by adapting the existing business processes to include new digital solutions to generate new revenue streams.

However, end-users in the region indicated that the current maturity of their services management was low across their organization but they did display a high intent for greater maturity in the future. IT organizations that increase their service management maturity will rise to the effective and efficient delivery of transformative technologies to their business customers, and IT will be able to demonstrate and deliver "business value" alignment through ITaaS capabilities. ITaaS focuses on the use of policy-driven self-service activation — enabled by SLAs, analytics, and automation — as the primary end-user point of interaction with IT, which is based on cloud services.

This is a vital move as, with the introduction of the 3rd Platform, CIOs are recognizing that IT needs to compete in the evolving market environment either by upgrading internal services or integrating the

3rd Platform into existing services or creating entirely new digital services through 3rd Platform capabilities. The fundamental paradigm for the 3rd Platform is a business-oriented service requiring enterprises to have a new architectural approach and framework, integrated with their overall enterprise architecture. To achieve this level of business planning, service innovation, and service life-cycle management, IT needs to upgrade its management practices to become a fully focused and competent service management organization, which will require a new business-oriented service management architecture.

An excellent example of how ITSM needs to evolve beyond IT infrastructure management is that enterprise and IT procurement processes have to be upgraded to suit the agility and flexibility requirements. Procurement tends to be part of the finance departments of an enterprise, and mostly still operates on the old process that entails the following:

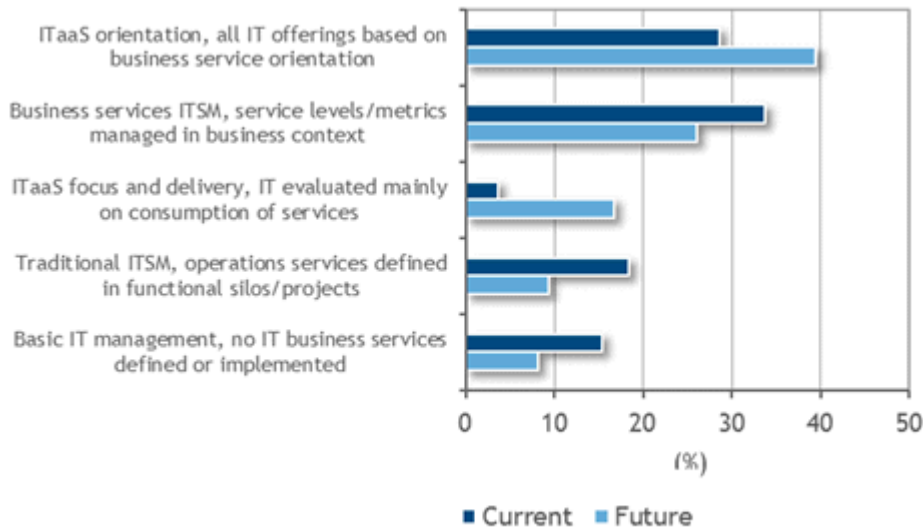
1. IT department identifies the need
2. IT issues a request for proposal (RFP)
3. IT selects a supplier
4. IT and finance haggle with selected vendor over contractual terms and conditions
5. Finance issues contract
6. Everyone waits for delivery
7. IT or SI installs and tests the new purchase
8. New purchase goes into production and is owned and managed and depreciated over the next three to five years.

This whole process could take approximately three months. Such a long turnaround time may be counterproductive if an organization is trying to be agile. If the LOB is to take advantage of 3rd Platform technologies that are rapidly deployable, the procurement process must also be quick and prevent unwanted delays.

FIGURE 1

ITSM Objective

Q. Which of the following statements best describe your current and future services management objective?



Note: No. of respondents (n) = 1,338

Source: APEJ End User IT Services Survey, 2015

The inability of the IT function to grasp how the business wants services that serve business needs and not traditional IT "pieces" is significantly altering how IT services are being delivered. The survey revealed that most organizations continue to rely on their internal IT for the delivery of key IT processes. However, the probability of engaging with external services providers for integrating DevOps practices with ITSM processes, defining and implementing ITIL complaint processes, and adapting existing IT processes to include new digital technologies was higher. ITSM and ITIL should be leveraged as "foundational" to the required business-oriented service delivery of ITaaS.

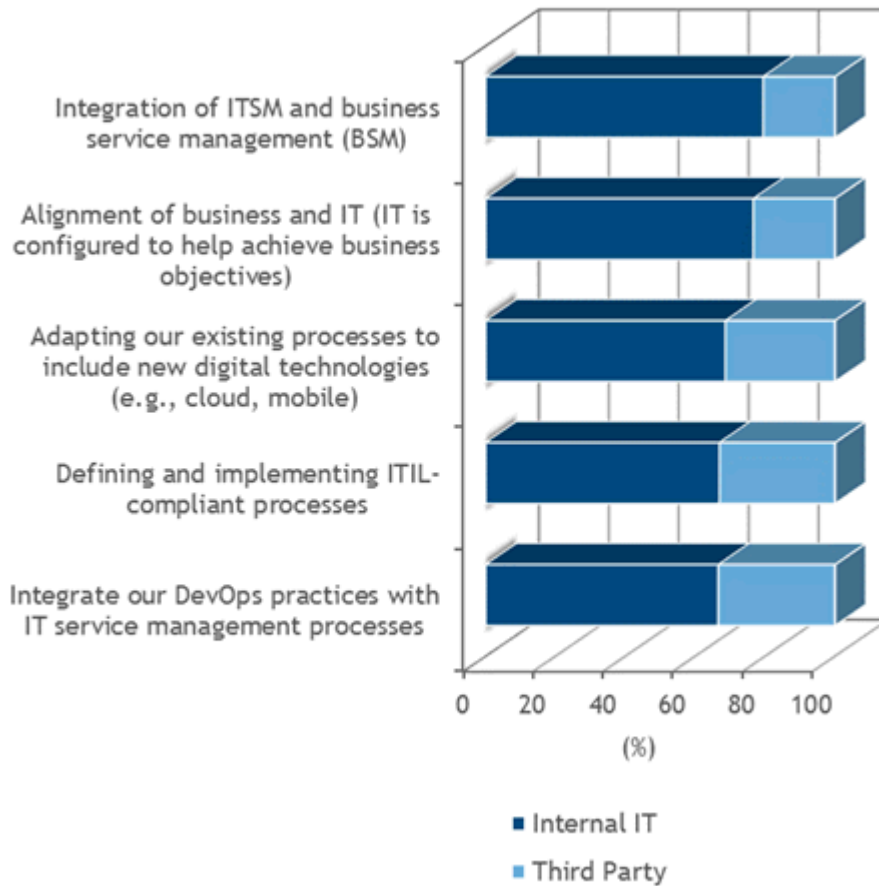
For instance, traditional software development is a lengthy process that involves development, testing, operations, and deployment in a sequential process, while DevOps collapses these sequences to create a virtual team for rapid deployment. So integrating DevOps into an organizations establishment can be a tricky proposition for which expert advice is needed. Similarly, defining and implementing ITIL-compliant processes by an organization during the initial stages of the adoption of more structured service management practices, will require guidance from service providers as it is beyond what they have done traditionally.

IDC notes that enterprises have moved beyond IT organizations that meet minimum requirements and now demand effective IT service providers (internal and external) that deliver business-facing services that satisfy the enterprise's core demand for technology optimization and innovation. Services managed by IT will be business-oriented to augment experience and smart products.

FIGURE 2

Execution of ITSM Initiatives

Q. Does your IT department executes the following initiatives internally or through an external service provider?



Note: No. of respondents (n) = 1,338

Source: APEJ End User IT Services Survey, 2015

FUTURE OUTLOOK

Traditionally, ITSM has defined as a set of process-based services focused on the management of IT infrastructure, business applications, and associated processes. Digital transformation of business has brought with it the need for different ways of sourcing, integrating, and managing the necessary supporting internal IT. ITSM is now maturing to include a broader set of services that include mobile, cloud, and a host of self-service options delivering agile and automated services critical to business operations.

The growing influx of digital technologies is forcing IT to be business-oriented and provide 3rd Platform solutions that are brokered from multiple sources, integrated through the necessary application programming interfaces (APIs), and orchestrated effectively across IT, LOB, and third-party service providers. ITSM is playing a more dynamic role in managing cloud through a growing focus on higher levels of automation and DevOps.

IT organizations realize that focusing on managing "end-to-end services" helps them be more customer-focused than managing discrete "technology silos." A service-oriented approach enables IT to link the customer outcome to IT services, applications, and infrastructure. Furthermore, IT organizations are currently focusing on efficiency of service delivery and require automation to be included into every aspect of IT services delivery. These concerns are forcing organizations to move from standalone automation to integrating asset management, infrastructure and application monitoring, and reporting and visualization tools under the single ITSM practice. Given, majority of the IT organizations in the region do not have the necessary in-house expertise, requiring service providers to include ITSM capabilities in their offerings.

The new breeds of external managed services being bought in increasing volumes by the LOB managers are complete solutions built on cloud technology and are typically delivered with a service management framework and APIs for their management. This is forcing internal IT organizations to shift the focus of their ITSM practice from the management of internal IT to the integration and management of external services.

ESSENTIAL GUIDANCE

Success for service providers and professional services and consulting firms competing in the world of ITSM, which is transitioning to a business-oriented service, will require them to implement the following:

- **Bridge the talent gap.** The lack of internal ITSM and ITaaS expertise is a major stumbling block for most organizations in the region. The increased use of services specialists that have ITSM and BSM expertise is an opportunity for systems integrators (SIs) and professional service providers and also is a prerequisite for any independent software vendors (ISV) intending to offer ITaaS.
- **Focus on ITaaS.** Organizations are looking to adopt ITaaS as they increasingly deploy 3rd Platform technologies in a bid to become more competitive. With the growing interest in ITaaS due to growing focus on delivering business-oriented services outcome, SPs (e.g., infrastructure vendors, outsourcers, SIs, ISVs, telco's) need to strengthen their cloud, virtualization, advanced automation, DevOps, orchestration, and analytics capabilities either organically or through partnerships.
- **Deliver business-oriented outcomes.** Service management SPs need to focus on implementing a new generation of SLAs based on business outcomes and customer experience. In addition, SPs need to efficiently integrate the traditional ITSM SLAs such as infrastructure availability, reliability, and application/component performance with the business-oriented services metrics.

LEARN MORE

Related Research

- *IDC MaturityScope: IT Services Management* (IDC #US41694516, September 2016)
- *Market Analysis Perspective: Asia/Pacific Excluding Japan Business and IT Services, 2015 – Service Delivery and Management Critical to Success in the Digital Economy* (IDC #AP41630616, August 2016)
- *Asia/Pacific (Excluding Japan) IT Outsourcing (Managed Services and IS Outsourcing) Services Market Shares, FY15: Continued Pressure on Traditional Outsourcers* (IDC #AP40352716, June 2016)
- *IDC Asia/Pacific 2016 IT Services End-User Survey Results I: How Digital Transformation is Changing the IT Services Market in the Region* (IDC #AP41013616, February 2016)
- *IDC FutureScope: Worldwide Services 2016 Predictions - APEJ Implications* (IDC #AP40352115, January 2016)

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

IDC Asia/Pacific Headquarters (Singapore)

80 Anson Road, #38-00
Singapore 079907
65.6226.0330
Twitter: @IDC
idc-community.com
www.idc.com

Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit www.idc.com to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit www.idc.com/offices. Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or web rights.

Copyright 2016 IDC. Reproduction is forbidden unless authorized. All rights reserved.

