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TECHNOLOGY EXECUTIVE INSIGHT

April 2022

The Future of IT Service Management

By the Hackett Group

Improving employee experience is the bedrock of modern IT service management initiatives. With a new urgency for modernization after the Covid 19 pandemic and other economic and societal changes, IT leaders are in the race to adopt new technologies to enable resource realignment and improve the employee experience.

Freshworks is pleased to offer you this insightful report from The Hackett Group. The study reveals the foundations and targeted outcomes for future ITSM and the best practices for IT leaders moving toward modernizing their IT operations and exploring the opportunities of AIOps.

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IT EXECUTIVE INSIGHT
April 2022

The Future of IT Service Management

By Richard Pastore and Christopher Key

EXECUTIVE SUMMARY
Technology leaders are realizing that it is time to modernize their IT service management (ITSM) capabilities by introducing intelligent automation enabled by artificial intelligence (AI) analysis of process data and AI for technology operations (AIOps). The joint goals are aimed at creating a new magnitude of technology function efficiency to enable resource realignment and an improved employee experience. Early adopters are starting with the technology service desk, standardizing processes, automating repeatable tasks and developing a more streamlined, self-service approach. Best practices include making a sound business case, obtaining proofs of concept (POCs) from vendors, building ITSM into a three- to five-year function modernization plan and cultivating new talent.

A funny thing happened on the way to digital transformation. IT service management and delivery fell behind.

Even as the technology that runs businesses and organizations has been increasingly modernized, a great deal of the overall management and delivery of technology services in use today was built for a bygone era. A focus on optimizing man hours or inputs over outcomes. Managing for uptime instead of user experience. Reactive responses to tickets or outages rather than real-time oversight. Manual processes versus data-driven insight and intelligent automation.

These legacy approaches – designed for desktop computers and server rooms – have struggled to keep pace with digital business and systems. "Most ITSM processes date back to the 1980s and 1990s," said Goutham Belliappa, vice president of Data and AI Engineering at Capgemini Americas. "There have been three generations of technology approaches since then, but in many cases these processes haven't evolved [to manage the] underlying ecosystem."

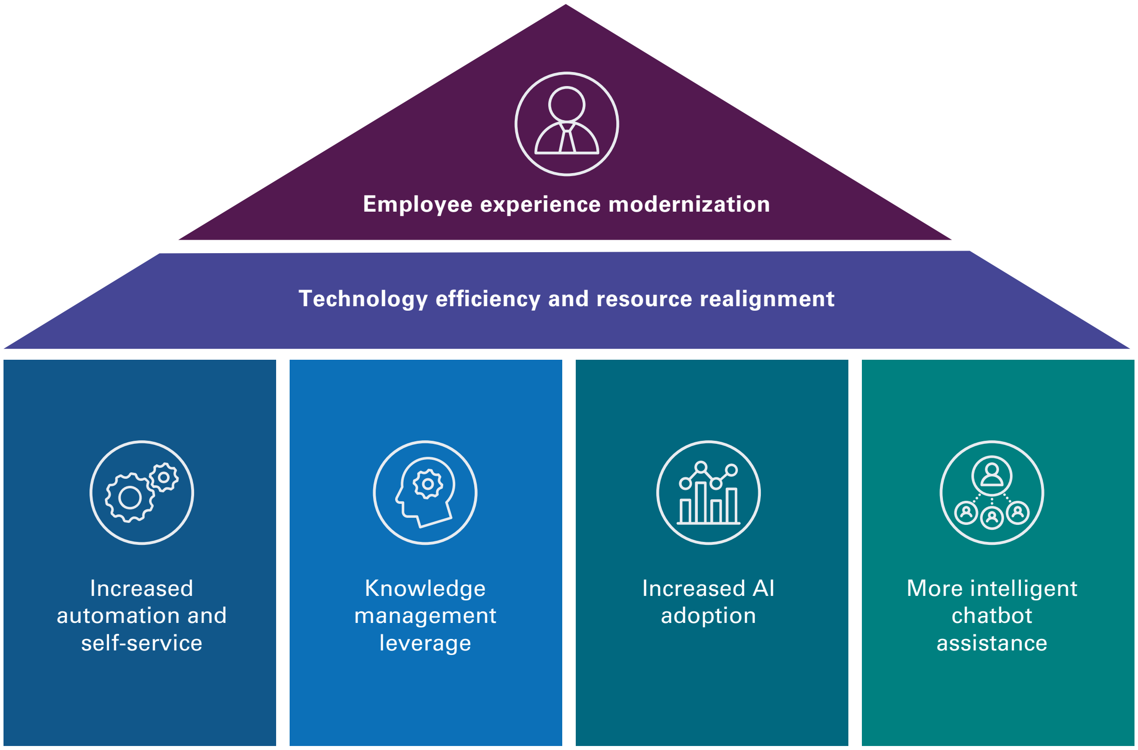
There remains, in many technology operational functions, much manual work: user and systems administration, alert reviews, monitoring, and responding to tickets. The adoption of cloud computing has established the value that process automation can provide in terms of improving efficiency, effectiveness and consistency. However, many organizations have been slower to invest similar opportunities in the realm of ITSM as they have prioritized digitalization and automation of customer-facing systems and processes and — more recently — digital transformation projects necessary to respond to the COVID-19 pandemic.

A NEW URGENCY FOR MODERNIZATION

The heel-dragging is beginning to change as evolving technology and business environments have added urgency to the need for change. The rapid adoption of new technologies over the past few years has increased the complexity of the technology environment in many organizations. Resulting system silos, data fragmentation and management tool proliferation began to overwhelm technology operations at a time when experienced technology professionals have begun heading out the door at a quickened pace. With critical alerts and user requests coming in at warp speed, managing day-to-day technology operations and user needs – let alone addressing the root causes of problems – became more challenging. In addition, the growing trend in adoption of "as-a-service" delivery models will compel technology to modernize its own delivery of services.

These trends have many technology leaders evaluating and implementing integrated tools and approaches to modernize ITSM. The key components are increased automation of manual processes and self-service functionality, application of knowledge management gleaned from technology process data, and leverage of AI to bring intelligence to the aforementioned automation and enable smarter chatbots. Together, these components will drive efficiency and realignment of resources in the technology function and help deliver a modernized experience to employees (**Fig. 1**).

FIG. 1 Foundations and targeted outcomes for future ITSM


Employee experience modernization
Technology efficiency and resource realignment
Increased automation and self-service
Knowledge management leverage
Increased AI adoption
More intelligent chatbot assistance

Source: The Hackett Group

Early adopters are already taking their cues from cloud providers to begin standardizing processes, automate repeatable tasks and develop a more streamlined, self-service technology operations function for the future. Those that are able to build that foundation can further optimize their functions with AIOps – the integration of AI to automate processes, detect and resolve issues, and ultimately perform preventative or predictive tasks.

AIOps can provide benefits across a spectrum of service and performance management use cases, including anomaly detection, parsing and responding to machine alerts and signals, root cause analysis, service desk automation, event escalation, and predictive maintenance. Using machine learning (ML) to analyze large volumes of technology and telemetry data from across the environment, AIOps can detect service issues and solve them more quickly (ideally before they impact operations and users experience), and learn from ongoing use and feedback to improve over time.

It's a "machine-first" approach, as Belliappa of Capgemini explained, "with humans there to handle what machines cannot." In the ideal state, AIOps platforms and tools monitor and manage the environment under the oversight of the technology operations team.

TRANSFORMING THE TECHNOLOGY SERVICE DESK

Before Todd Renaud became the SVP and CIO of Southeastern Grocers, the supermarket company with more than 500 retail locations and 14,000 employees had outsourced tier 1 and tier 2 service desk calls, operated multiple call centers, employed a variety of ITSM tools, and had no centralized ticket management. There was a tremendous amount of data coming in but no ability to analyze it. "We might get a bunch of calls from a store or from users before ever realizing that a store or an application had gone down," Renaud explains. That's when the company began to explore automation and AI for technology operations.

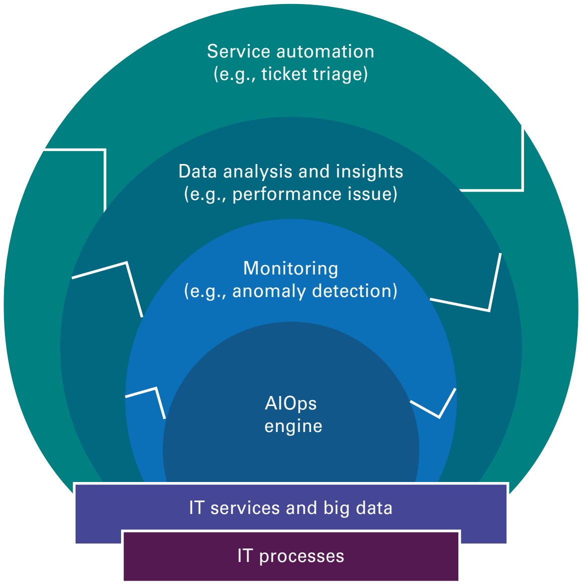
Southeastern Grocers had been investing in data and analytics to drive business innovation. "We already had that data science capability in the building, but had never thought about tackling ITSM with it," said Renaud. "But the reality is, you can use the same skills to build better processes, lower costs and improve the user experience with IT. And, if we can be faster with remediation and even more preventative, that benefits the business's bottom line."

Renaud sees such a transformation as a clear win for his organization and the business. "The technology service desk already has a lot of metrics so when looking for data to justify an investment, it's a pretty good place to do it," Renaud said. Those technology leaders that don't make a business cases for the evolution of ITSM today may have it made for them soon. "I think we'll all be tested on this from a cost perspective, when you think about inflation and supply chain challenges," Renaud added.

Frank Paquin, director of end-user services at Lumentum, maker of optical networking components, has also seen the value of greater automation and is exploring the future applications of AI. "The pandemic and remote workforce have increased the challenges of the support organization," said Paquin, who has implemented chatbot functionality for his help desk triaging level-one requests for his dispersed and lean help desk organization. "Anything we can do to automate, removes some of the noise for our day-to-day operations. It will significantly improve the way we do things going forward so that the technology organization can focus on more complex challenges and better utilize our teams."

Like many service desk teams, Lumentum's had been dealing with a deluge of alerts each day and juggling multiple monitoring tools. Modernizing IT operations begins with introducing some basic automation to ease some of that burden. Ultimately, AIOps tools and platforms promise to further improve efficiency and employee experience by understanding the relationships between devices and applications, correlating alerts resulting from common incidents, and distinguishing between outliers and true anomalies **(Fig. 2)**. Users of AIOps tools will be able to determine likely root causes, locate the best human resources to address an issue, offer suggested fixes, and predict and automate remediation of problems before they occur.

FIG. 2 AIOps engine cycle



Source: The Hackett Group

Modernization requires more than tools

Adopting any new tools or AIOps platforms without first rethinking the foundation will just exacerbate existing problems. Lumentum had already invested in a virtual help desk tool when Paquin arrived from his previous role at a textile manufacturer and the company was keen to introduce greater automation. "They had been struggling because they didn't have the back-end foundation work in place," said Paquin who has invested in creating new workflows in areas such as identity and access management. "The one thing I've seen over and over again in the last two years is companies rapidly adopting new technology, thinking it will improve productivity, but at the end of the day, only adding greater complexity to the environment. The IT organization needs to put in the proper framework first."

Transforming IT operations also requires rethinking the way the function has historically been staffed. "For years, the service desk was designed a certain way and you had a traditional help desk leader who was very good at managing hourly employees, taking tickets and following process," said Renaud. The service desk of the future should be managed by someone with an operations and process capability, that thinks about data differently, and understands the power of AI. Renaud is currently determining where to source that talent and whether they should even be part of the infrastructure group or somewhere else.

Conclusion and recommendations

Most IT operations functions are very early on in their modernization efforts. Even in small doses, however, streamlined and more automated processes (whether enabled by AI yet or not) can help to relieve IT professionals from some of the more mundane duties, such as systems monitoring, alert response, problem diagnosis and ticketing triage. As a result, IT operations teams can better weather staff or skill shortages, devote time to higher-value work, and increase employee engagement. Over time, ITSM modernization and AIOps can have a measurable impact on key metrics, such as repair and response time, service uptime, and customer satisfaction. "In a couple of years, if you put your nose to the grindstone, you can get there," Renaud said.

The following are emerging best practices for IT leaders moving toward modernizing their IT operations and exploring the opportunities of AIOps:

- **Make the business case:** IT leaders who are modernizing IT operations say there's a clear return on investment (ROI), such as lower operating costs and better service. Evaluating and implementing AIOps will take a backseat to other business priorities unless IT leaders understand, and can sell, the benefits to the business.

- **Bring in expertise:** The application of AIOps will be new to most IT support organizations, so seeking external expertise is critical early on. Renaud found that working with a partner early on helped to orient the transformation.

- **Know where you're going:** It's important that the IT organization has a three- to five-year roadmap that factors in ITSM modernization and AIOps initiatives. It's also wise to make sure that new algorithms and processes are tool-agnostic and can run on any platform.

- **Ask for POCs:** Vendors can often make a more compelling case by showing rather than telling, so give them the data to demonstrate what is possible. "You can move beyond theory really quickly that way," said Renaud who has done this in the application performance management realm.

- **Rethink talent:** IT leaders considering modernizing ITSM will need to staff differently to support the implementation of AIOps. Critical to the transformation will be staff members with a systemic understanding of applications and infrastructure, process expertise, experience or interest in ML and statistical pattern analysis, in-depth knowledge of business functions or processes, and a desire to make changes to optimize operations will be critical to the transformation.

Thank you for taking the time to read our research. We value your feedback and ask you to rate the business value you derived from this report.

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Very low	Low	Moderate	High	Very high

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About the Advisors

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Mr. Pastore develops and delivers research and related resources for The Hackett Group's Advisory programs, including IT. He has over 25 years of experience working with CIOs and their teams to apply thought leadership and best practices to help them extract the maximum business value from strategic investments in technology. Mr. Pastore has spent the last 15 years designing, implementing and managing IT and business transformation leadership programs, including best practices research, seminars, workshops and conferences, assessment tools and frameworks for Fortune 1000 companies. He is former editor of CIO magazine and vice president of the CIO Executive Council.

CHRISTOPHER KEY

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Mr. Key has nearly 20 years of consulting and professional services experience, specializing in IT and shared services center operations. He also has significant benchmarking expertise for global companies with complex organizational environments. During his tenure with The Hackett Group, Mr. Key has been responsible for providing client services, assessment and advisory expertise its within IT and Global Business Services Executive Advisory Programs. Previously, he worked as a recruiting and placement specialist in the IT and business sectors.

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