WHITE PAPER

THE VALUE OF DATA-DRIVEN AUTOMATION TO THE ITSM INDUSTRY

RESEARCH REPORT

solarwinds msp

54% of IT service providers are already actively collecting and storing data on customers' IT performance.

EXECUTIVE SUMMARY

The need to collect and interrogate customers' IT performance data in order to improve IT service delivery is beyond hype – it's a necessity. Enterprises and SMBs have come to expect their IT service providers to have the ability to investigate trends, pre-empt threats to productivity and deliver more thorough and proactive services as a result.

But if this expectation is so prevalent, and so much opportunity for service providers hinges upon it, how many are meeting it?

Given its importance to the future of IT service delivery, we felt it incumbent upon us to investigate the degree of sophistication amongst service providers in collecting and making use of performance data from customers' IT estates – and whether tangible, quantifiable opportunities were being made, or missed.

The good news is that clearly the value of data has not only been recognised by the ITSM community, but actively pursued. In our global study of more than 350 IT service providers' uses of data, we discovered that 54% are already actively collecting and storing data on customers' IT performance.

Even better, almost all of these (81%) are actively using it to improve the service they can deliver to customers. This included monitoring performance in order to improve that single client's IT estate, and in many cases even aggregating data from across the entire client portfolio to take advantage of collective intelligence.

WHAT IS DATA-DRIVEN AUTOMATION?

Data-driven automation refers to:

- Automatically transforming raw data into insights that can be implemented immediately
- Or using data to automatically trigger corrective actions using analytics beyond simple event/ threshold triggers

DATA BASED AUTOMATION A STEP TOO FAR FOR MOST

But using data to inform reactions and decisions is only half the battle. The real key to profitability from using data is in data-driven automation of actions – empowering technology to make real-time, accurate decisions based on what the data shows. It entails a mindset shift beyond using data to simply reveal information to instead using data to proactively recommend and react. And as a result, businesses can enjoy greater efficiencies, more capacity and greater profits.

However, it appears data-based automation is currently a step too far for most providers.

Only a very small minority of IT service providers (8%) have put in place automated processes for transforming data into actionable recommendations. Although, the benefits of doing so have been remarkable. For these forward-thinking 8%, data automation has directly led to more than a third doubling their client servicing capacity, almost three quarters can now service customers with more complex IT estates and more than a quarter of respondents have even entirely automated their managed security services.

Almost 75% of those who have not yet deployed data-driven automation strategies believe that doing so would enable them to deliver a range of new services.

EARLY ADOPTERS ARE SEEING POSITIVE BENEFITS ON ROI

Many of these early adopters have identified positive ROI on their new approach. Of course, for most it is too early to calculate precisely, but 20% have already enjoyed at least 100% return. The prediction for two years' time is even stronger – the proportion experiencing 100% or more ROI is expected to rise from 20% today to 47%.

And the best news is that it would appear that the rest of the industry is acutely aware of the need to catch up with these early adopters and to use data-driven automation in their day-to-day service provisioning.

Almost 75% of those who have not yet deployed data-driven automation strategies believe that doing so would enable them to deliver a range of new services. More than a third believe it would give them a competitive advantage, but more importantly a further 49% see it as the route to offering more sophisticated services and winning more business as a result.

52% actively fear for those service providers that do not adopt automation as they will likely lose out to their more advanced competition. 6% even think that failure to adapt will lead to going out of business!

AGGREGATED, COMMUNITY LEVEL DATA IS THE NEXT STEP

On balance, this paints a very positive picture for ITSM. The industry has responded to the need to offer services built on using data. And some, albeit too few so far, have taken the ultimate step and are automating their routine activities based on data insights.

And here's the important revelation: those that are doing so are seeing dramatic, measurable benefits – and are therefore being chased down by those who have not yet adopted data automation.

The next logical step will be for service providers to broaden their view to rely upon data not only from their own customers, but in fact from the wider ITSM community. The value of using just a small pool of data to support service provision is proven – even more so when the management is automated. Imagine what could be achieved when basing decisions on even more data.

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BACKGROUND TO RESPONDENTS

The research was conducted over the first half of 2016 and examined the views of 361 ITSM companies across the US, UK and other European and Asia-Pac countries. In terms of breakdown, the respondents were predominantly Director or CEO-level from IT service providers offering a mixture of break/fix and managed services.

FIG1: GLOBAL BREAKDOWN

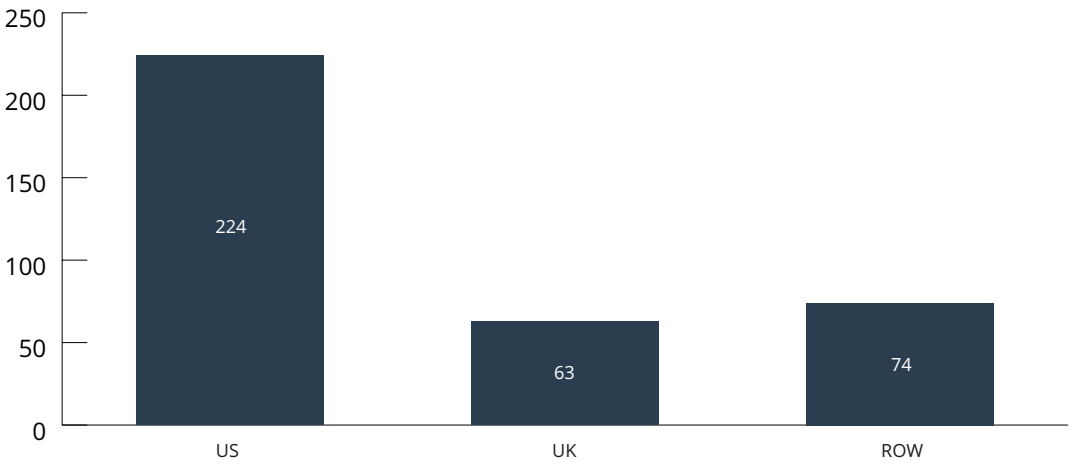


FIG2: JOB TITLES OF RESPONDENTS

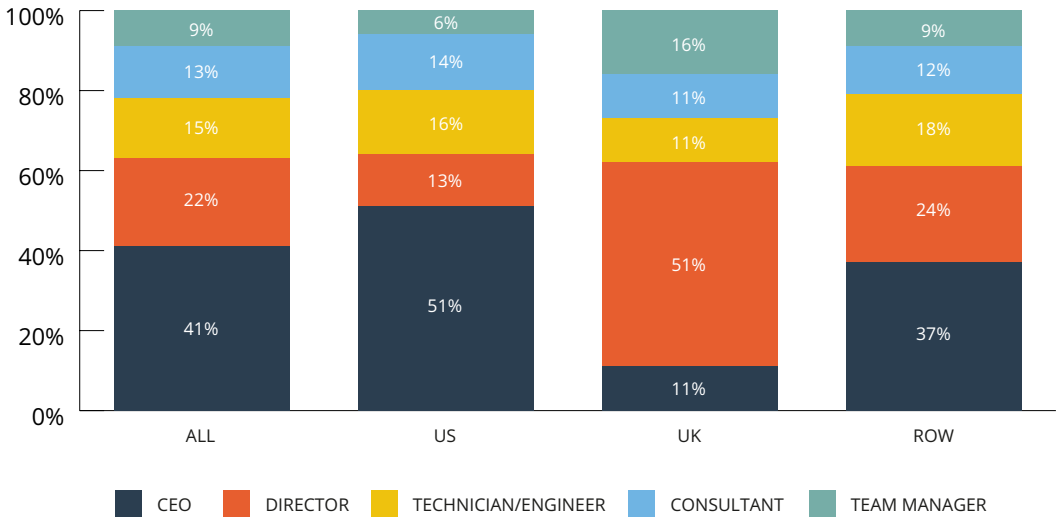
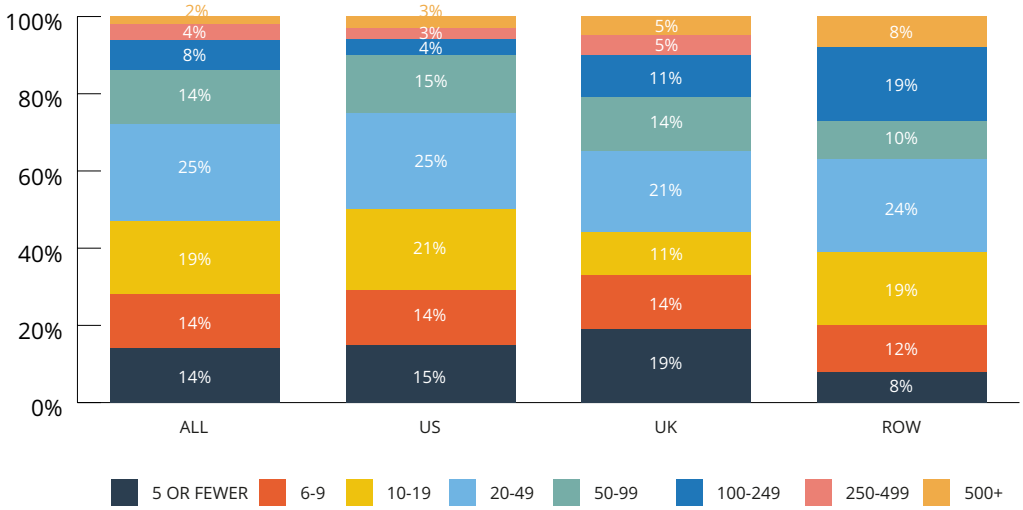


FIG 3: NUMBER OF ESTATES MANAGED



COLLECTING, STORING AND USING DATA

ITSM is evidently moving in the right direction in its appetite and capability to collect, store and use data.

More than half of service providers (54%) already store historical performance data on their clients' IT estates.

FIG 5A: DO YOU STORE HISTORICAL PERFORMANCE DATA ASSOCIATED WITH YOUR BUSINESS AND YOUR CLIENTS?

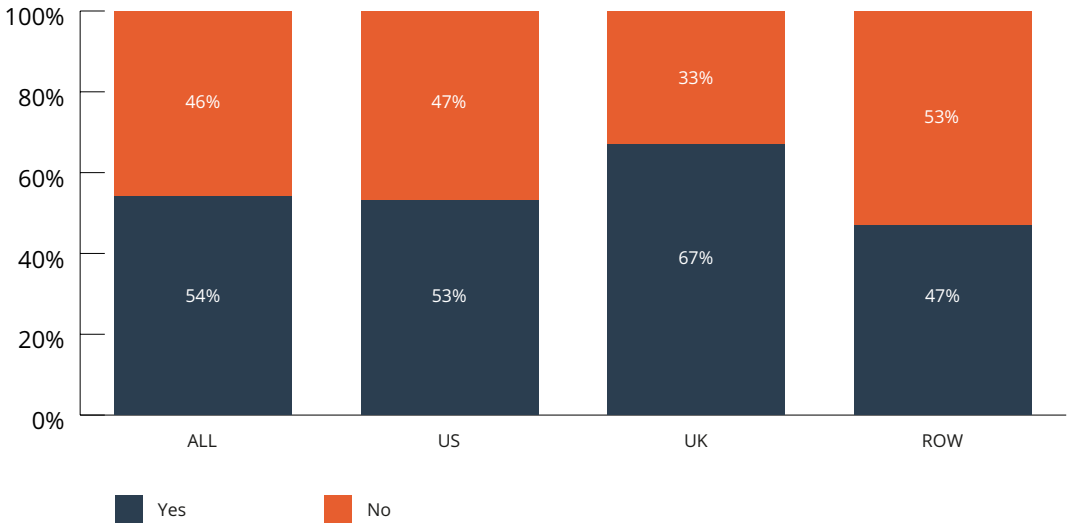


FIG 5B: IF YOU DON'T STORE DATA, WHY NOT?

Those not storing customers' performance data are held back simply by complexities over how the data would be stored and a lack of data interrogation skills rendering storage of data pointless. These are entirely surmountable obstacles, and given only a small minority (14%) believe that the data would not be of use, it would suggest that the motivation is there to overcome them.

The promising news continues as, of those that do store customers' data, the vast majority (81%) use it to actively improve the management of their customers' IT.

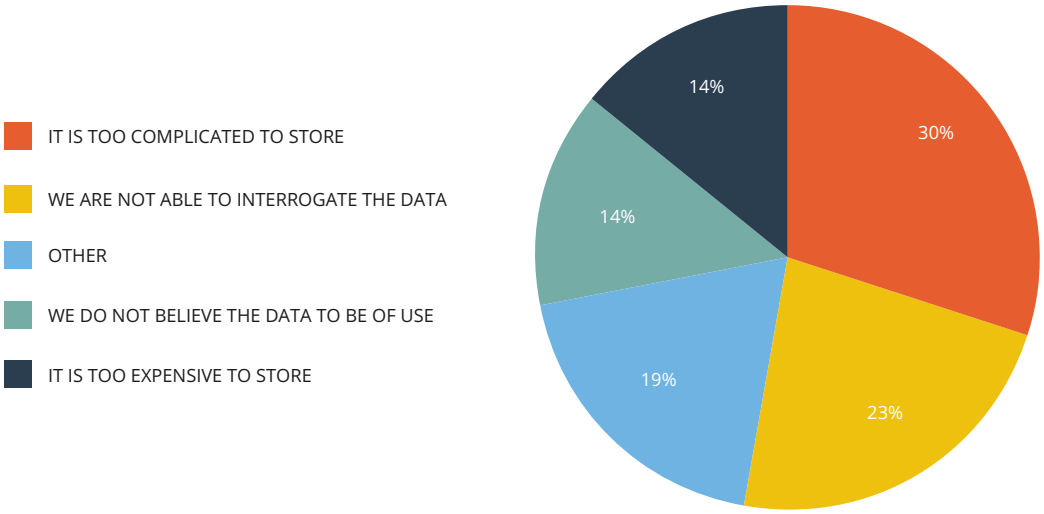


FIG 6: DO YOU USE THE PERFORMANCE DATA TO ASSIST IN THE MANAGEMENT OF YOUR CUSTOMERS' IT?

Of particular interest is the fact that 43% go a step further than the rest and combine datasets from all customers to create collective knowledge. The importance and value of data is unquestioningly appreciated within ITSM, and being acted upon.

Looking at these findings as a whole, it is clear to see that ITSM businesses appreciate that their daily activity needs to be data-driven, and that the more data they are able to collect and interrogate, the more effective and efficient they can be.

The drawback however is that despite this acknowledgement, very few are automating their processes based on the data they diligently collect and store in order to increase their throughput. Too many still rely on human intervention, which is inherently less accurate, timely and efficient than reliance on automated processes.

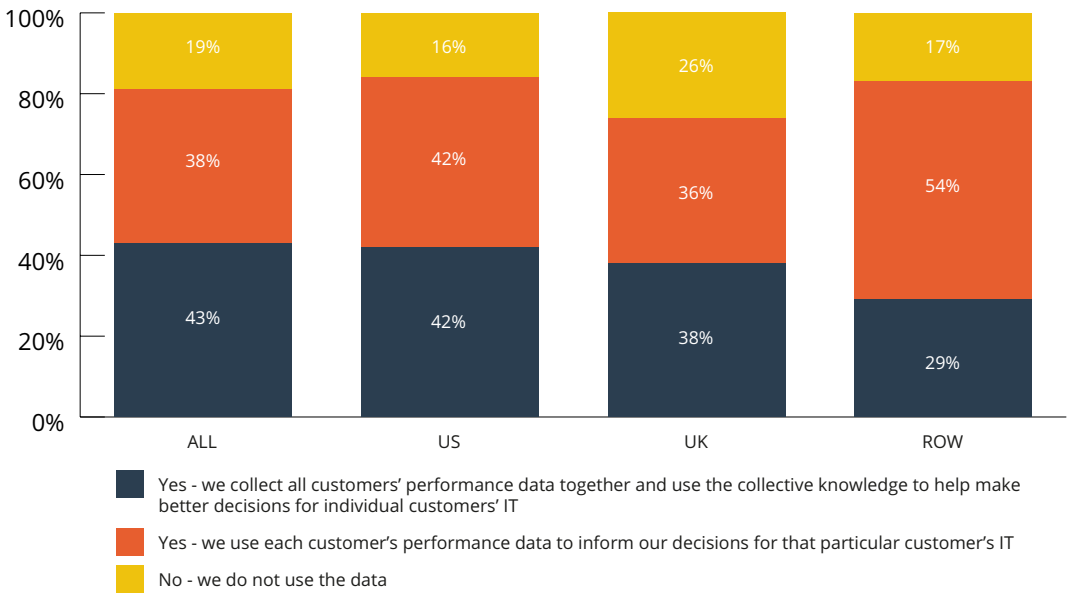
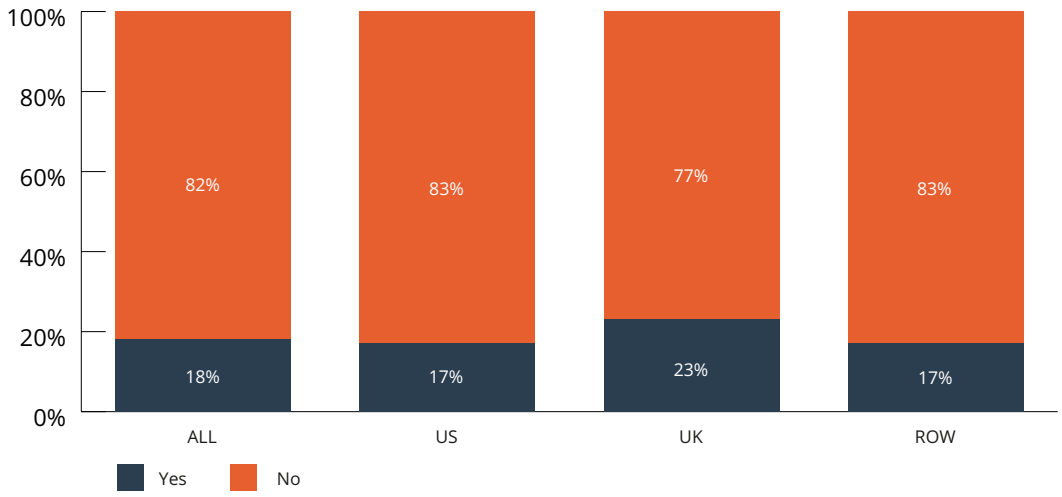


FIG 7: DO YOU CURRENTLY HAVE AUTOMATED PROCESSES FOR TRANSFORMING THIS DATA INTO ACTIONABLE RECOMMENDATIONS?

The majority of those that store and use customers' data (82%) lack the ability to automate actions based on this intelligence. Extrapolating further, this means only 8% of the entire respondent base have automated processes in places for transforming data into actionable recommendations.

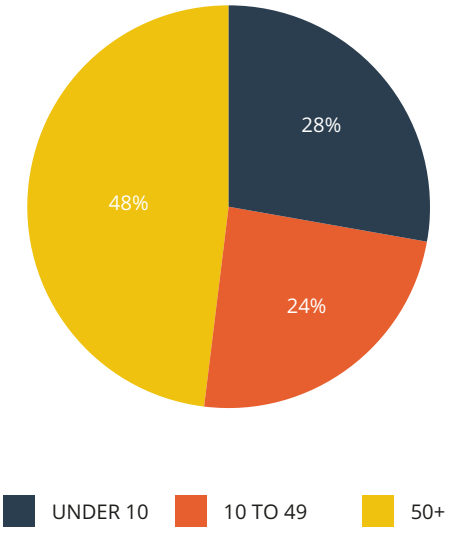


Who are these 8%? What makes it possible for an IT service provider to be able to deploy data-driven automation?

First and foremost, it appears that it is currently the preserve of the larger ITSM companies. Almost half of them are managing 50+ IT estates, and while this size doesn't make them the very largest of service providers, this does show a definite trend.

FIG 8: HOW MANY IT ESTATES DOES YOUR COMPANY MANAGE?

As with almost every hype cycle that has ever existed in business IT, adoption and investment has started with the companies at the larger end of the spectrum. But history also tells us that it does not take long for the capability – once proven by the early adopters – to be commoditised and trickle down to even the smallest provider.



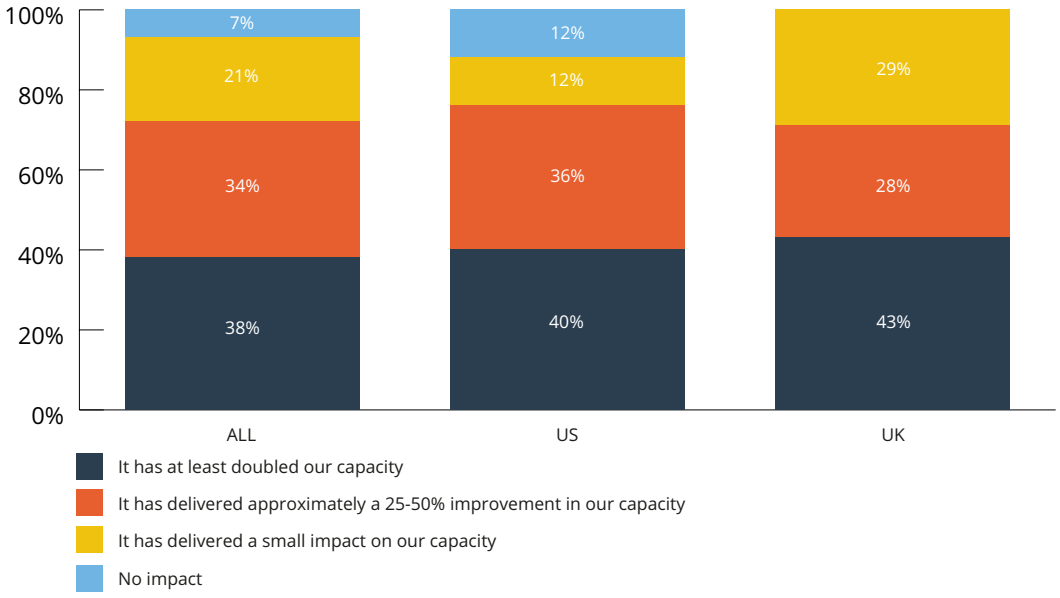
TECHNOLOGY ADOPTION CYCLE

So how close are we to the value of data-driven automation being proven and therefore made widely available? Or are we still at the “innovators” stage of the typical technology adoption cycle?

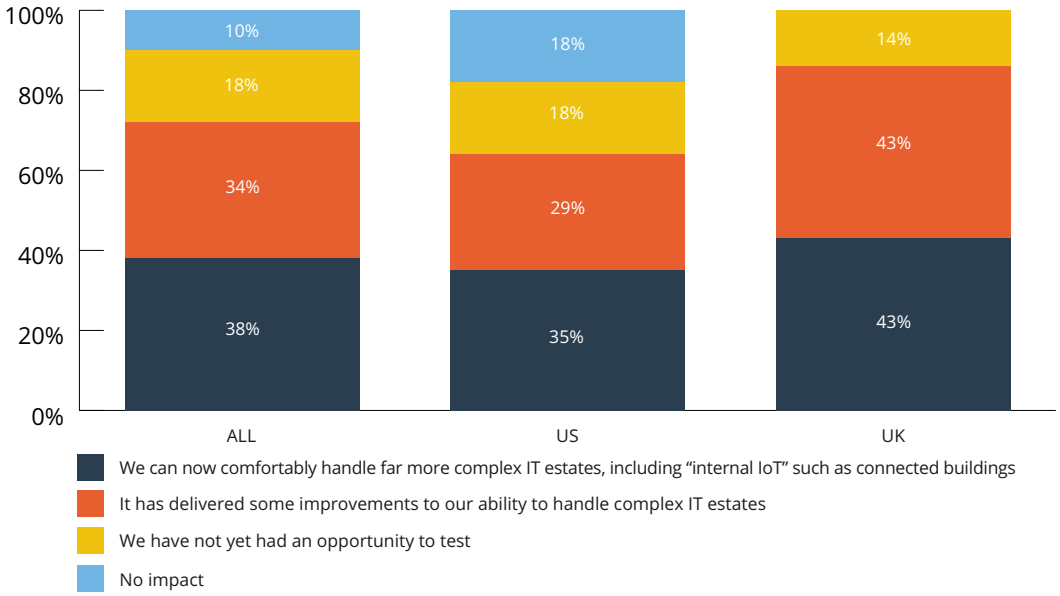
In actual fact, from examining the impacts that data-driven automation has had on the early adopters, its value is already indisputable.

FIG 9: HOW HAS THE AUTOMATED USE OF DATA ALREADY IMPACTED...

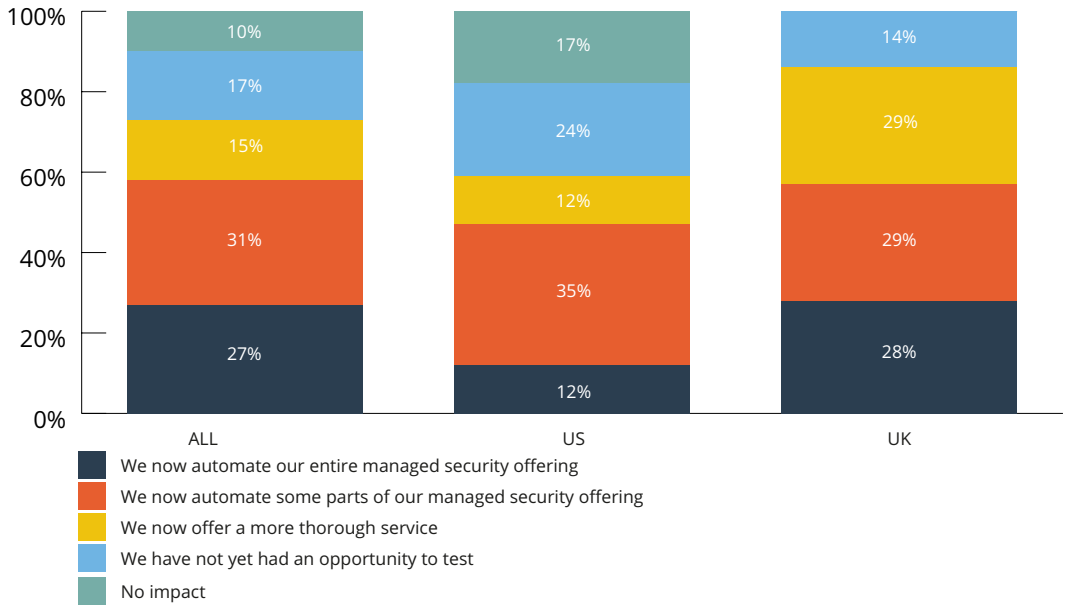
a) ...The number of customers you can service without increasing headcount?



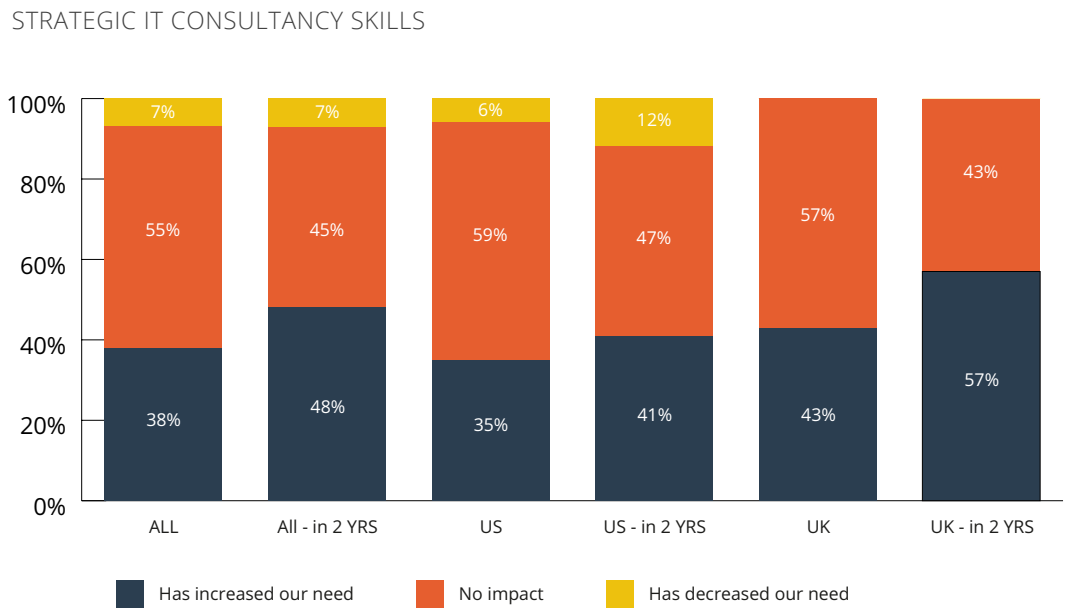
b) ...The complexity of customers' IT you can manage?



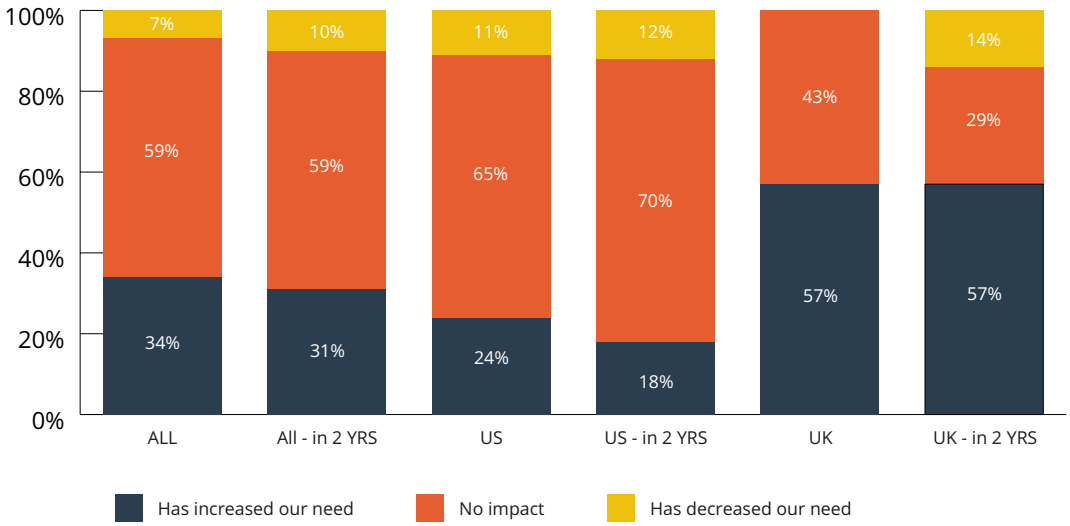
c) ...The managed security services you offer?



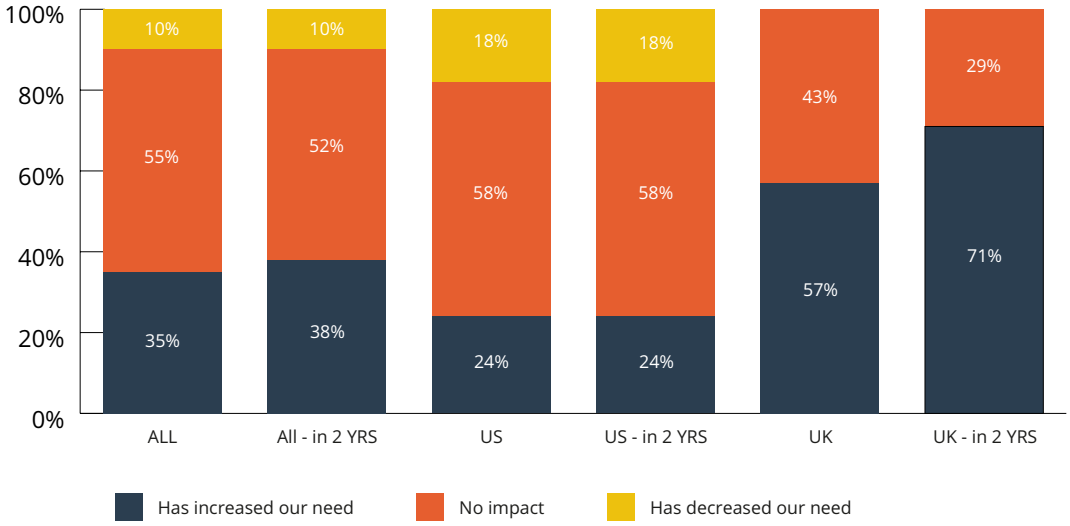
d) ...The skill sets you will be hiring?



TECHNICAL SKILLS



ACCOUNT MANAGEMENT SKILLS



The more routine activity that can be delegated to automated processes, then the more time becomes available to service more clients and to provide a deeper level of consultancy to them.

To summarise the above data, the majority of those IT service providers who have already deployed data-driven automation of routine tasks confirm they have enjoyed wide-ranging and valuable benefits. They have at least doubled the amount of business they can handle without increasing headcount, are now able to service customers with more complex IT setups and have automated at least some of their managed security activity.

In terms of personnel, despite industry predictions, data-driven automation has had less impact. The majority do not feel that automation has yet affected demand for consultancy, technical or account management skillsets. However, the trend for the need for consultancy skills is undeniably towards greater demand over the next two years - while demand for technical skills clearly diminishes.

All this supports the long-held theories for data-driven automation: the more routine activity that can be delegated to automated processes, then the more time becomes available to service more clients and to provide a deeper level of consultancy to them.

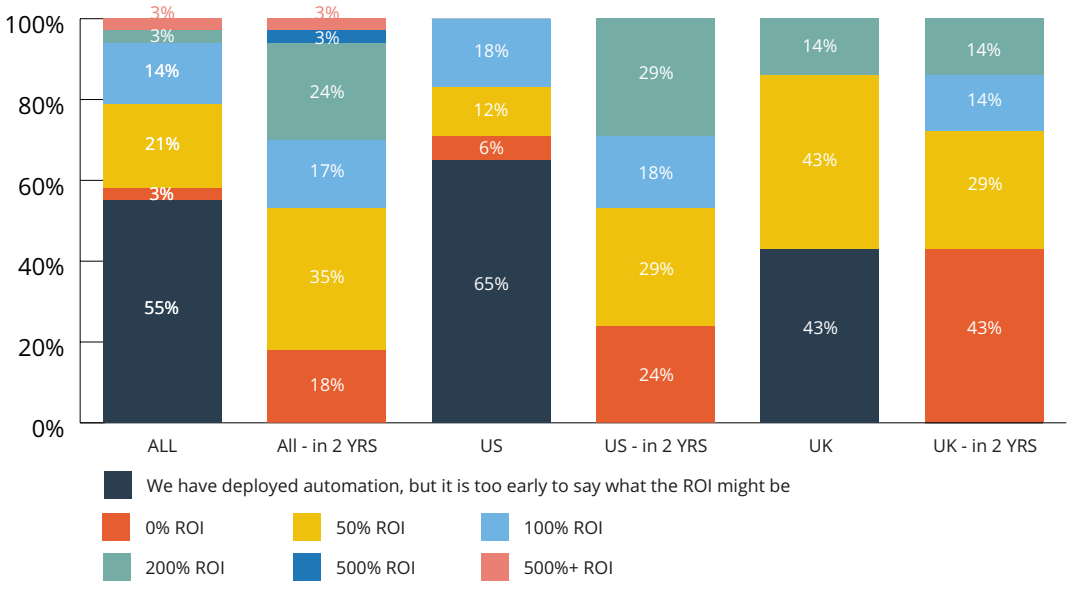
But growth is one thing. The question remains whether this is “good” growth. Is data-driven automation profitable?

FIG 10: HOW HAS DATA-DRIVEN AUTOMATION AFFECTED YOUR BUSINESS' ROI?

Understandably, for most respondents, it is too early to calculate the ROI of data automation.

But 20% of the early adopters have already identified at least 100% return directly attributable to its deployment.

And predictions are positive. The number experiencing 100% or more ROI is expected to rise from 20% today to 47% in two years' time.



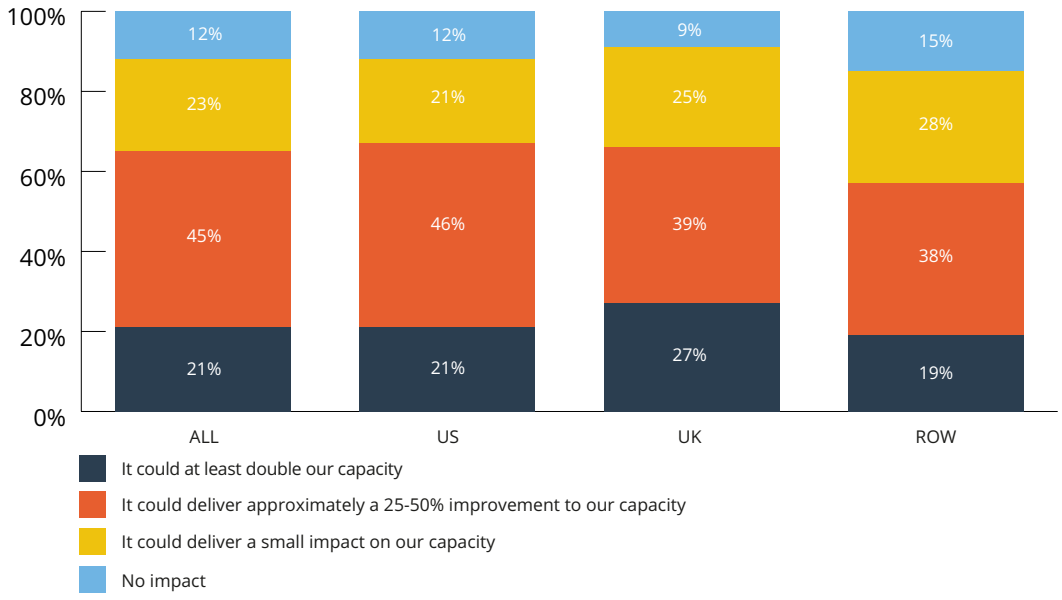
THE FUTURE HOPES FOR DATA AUTOMATION

If these are the benefits seen by the few, are the remainder convinced? Is the rest of the industry eager to follow suit, or have the early adopters of data-driven automation stolen a lengthy advantage?

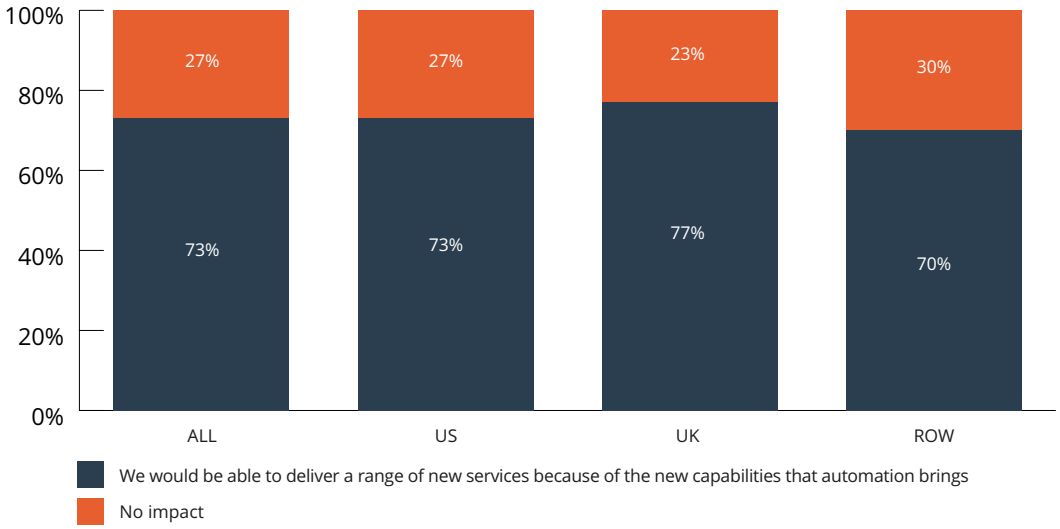
The answer appears to be that the early advantage that has been seized using data-driven automation will be short-lived as other ITSM providers catch up. The rest of the industry is more than aware of the opportunities they are missing out on, how their overall efficiency could be improved and even how their opportunities for growth are being constrained by lagging behind.

FIG 11: OVER THE NEXT TWO YEARS, HOW DO YOU PREDICT THAT DATA-DRIVEN AUTOMATION WILL IMPACT...

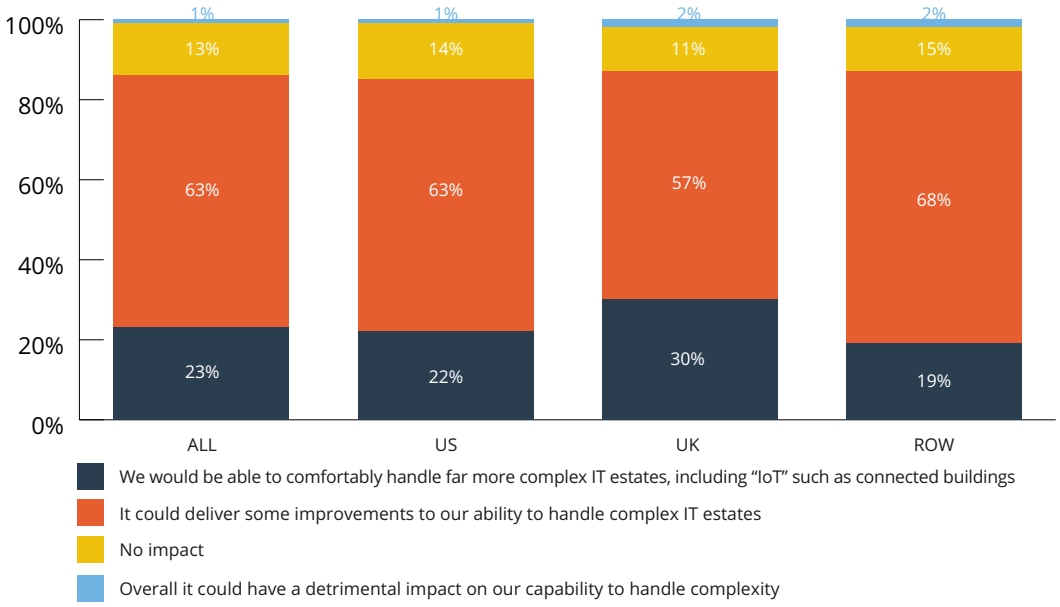
a) ...the number of customers you can service without increasing headcount?



b) ...the breadth of services you can offer



c) ...the complexity of customers' IT you can manage?



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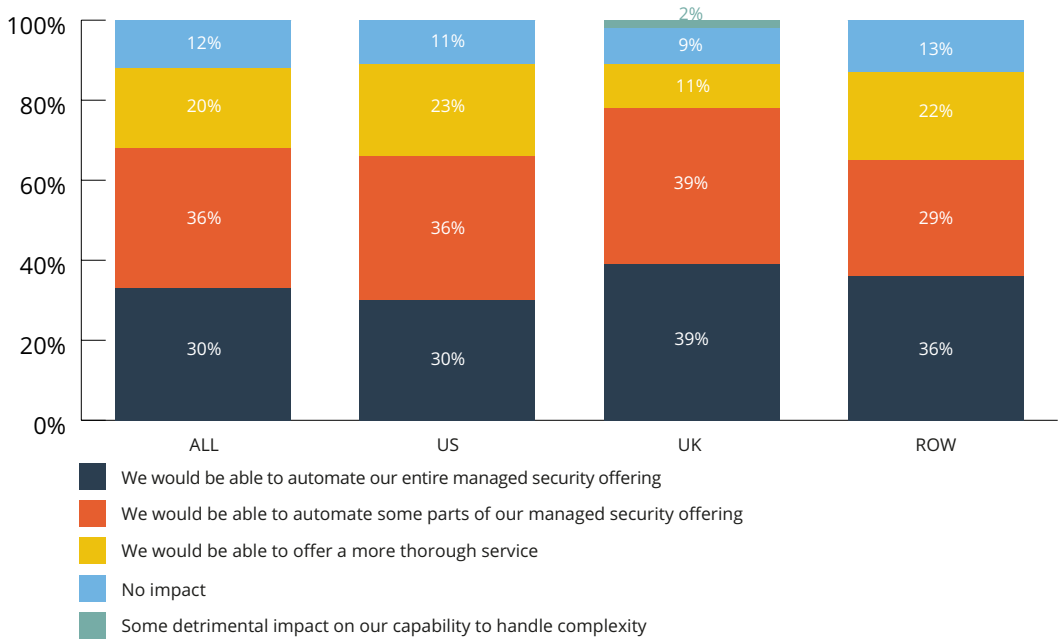
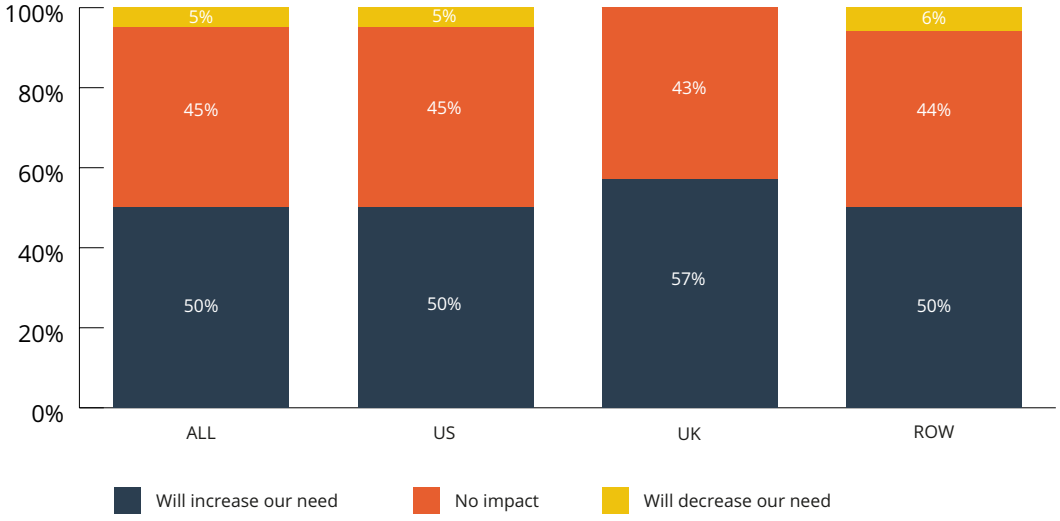
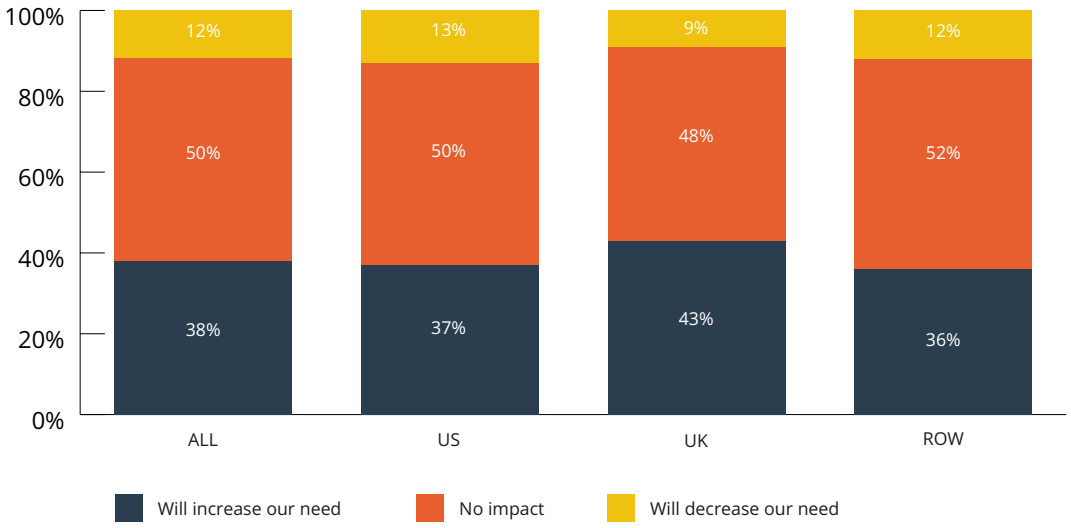


e) ...the skill sets you will be hiring?

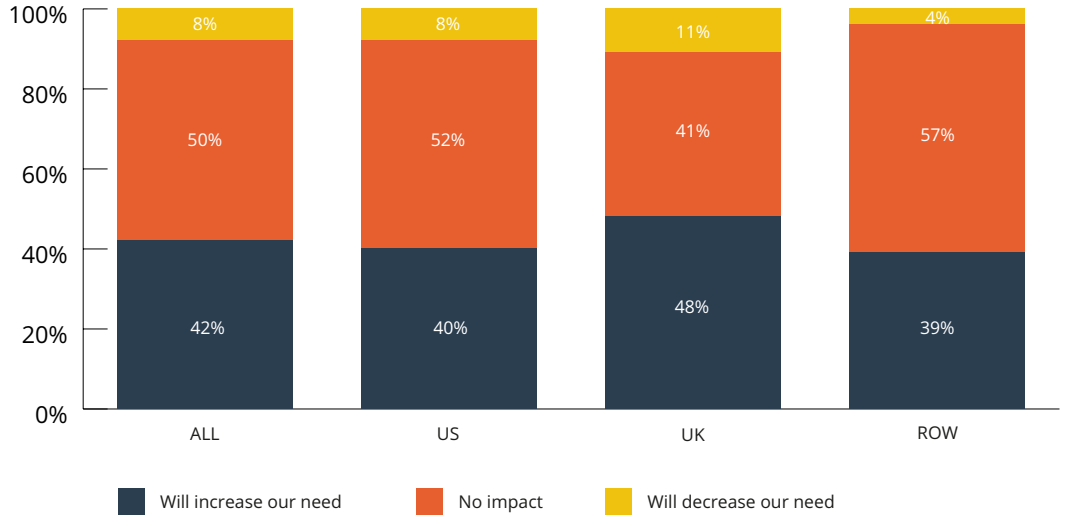
STRATEGIC IT CONSULTANCY SKILLS



TECHNICAL SKILLS



ACCOUNT MANAGEMENT SKILLS



73% feel they will be able to deliver a range of new services because of the new capabilities that data-driven automation is likely to bring.

For those on the outside, there is enormous appetite and hope for data-driven automation. 73% feel they will be able to deliver a range of new services because of the new capabilities that data-driven automation is likely to bring. Meanwhile 88% predict being able to serve more clients, and in fact 21% go so far as to say it could at least double their capacity .

The optimism continues with hopes for the complexity of IT estates they can manage – 86% believe that the removal of routine activity through automation means that more complex IT estates can be managed. This same feeling is seen in managed security as 33% feel that these services could be automated in their entirety, and a further 35% are convinced that at least some could be.

The pattern in these findings is that there is optimism that efficiency opportunities can be seized if data-driven automation can be successfully deployed. These theories are reflected in the predictions for future skill set needs – and despite no solid evidence on which to base their theories, these predictions closely resemble those of the respondents "in the know" i.e. who have already deployed data-driven automation.

51% predict a greater need for strategic consultancy skills, while only 42% predict a greater need for account management (with 51% predicting no impact). Meanwhile, technical skills is again the area with the greatest anticipated decline (12%) and lowest predicted increase (38%).

So are these predicted changes indicative of a great strategic shift in the future of ITSM, or are they simply tactical?

Strategically, data-driven automation is anticipated to have an overwhelmingly positive impact on competitiveness. 36% feel it would offer some advantage over competitors, while almost half (49%) believe they could offer a more sophisticated service and win more business as a result.

FIG 12: HOW DO YOU THINK THE AUTOMATED USE OF DATA COULD IMPACT YOUR ABILITY TO BE MORE COMPETITIVE IN THE MARKETPLACE OVER THE NEXT TWO YEARS?

The question is, how strong is the respondents' conviction in the need for data-driven automation? What are their ultimate predictions for IT service providers who stubbornly refuse to adapt?

On the whole, the picture would be bleak. More than half (52%) are fearful for those that do not adopt data-driven automation, as they feel they are likely to lose out to their more advanced and more capable competition. 6% even think that laggards will go out of business!

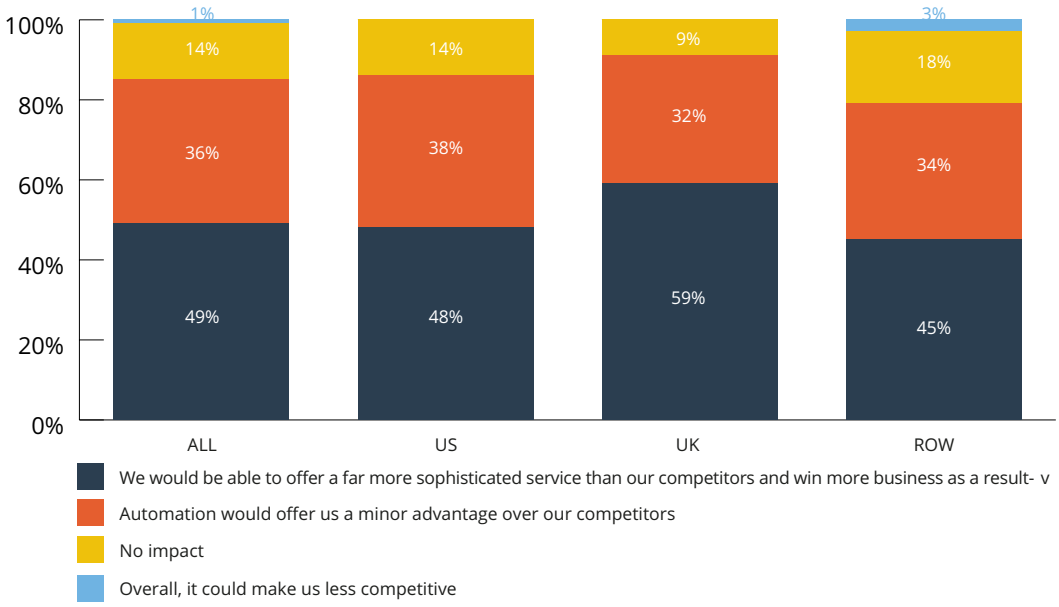
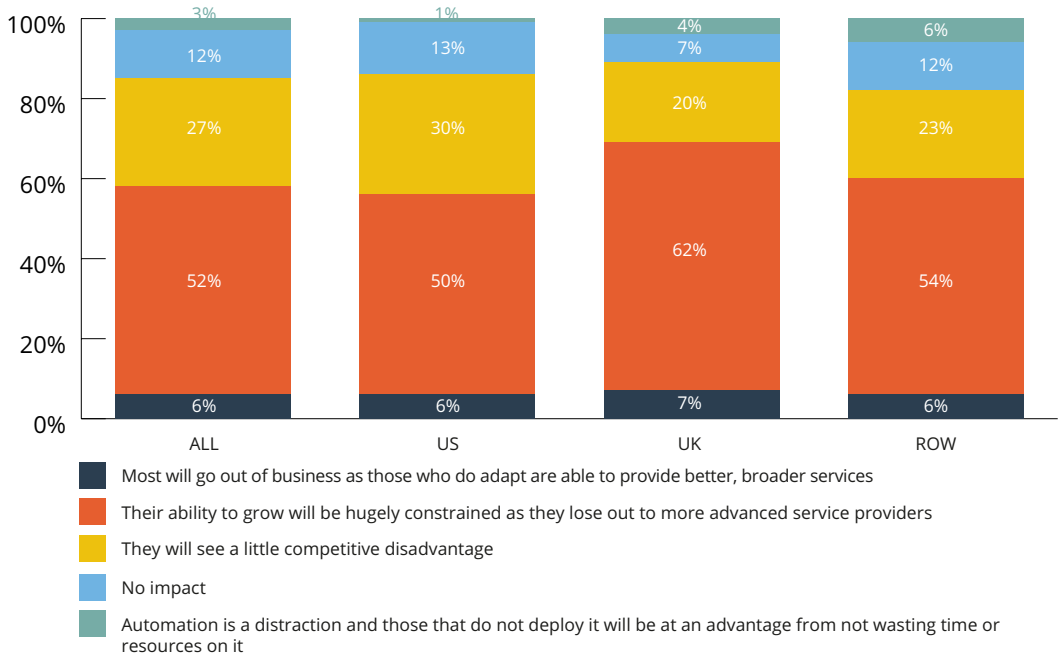


FIG 13: WHAT DO YOU THINK WILL HAPPEN TO IT SERVICES PROVIDERS WHO DO NOT ADOPT THE AUTOMATED USE OF DATA IN THEIR SERVICE DELIVERY?



FINAL TAKEAWAYS

Data-driven automation is starting to change the course of global ITSM delivery. The majority of the market has already invested in collecting and using data on their customers' IT estates – with the remainder clearly planning to catch up.

A small minority has gone one step further and begun to use the data to power automated service delivery. These few are already enjoying dramatic competitive advantages and most importantly have already seen positive ROI.

While it is currently a small minority, the returns they have seen are clearly setting them apart from the rest of the market – and the market is not planning to let them run too far ahead. With the expectations of those who are yet to invest roughly matching the experiences of the few who already have, the chasing pack will not be disappointed. This should in turn mean that adoption will accelerate as more and more service providers report the promise of data-driven automation being fulfilled.

So where do they start? IT service providers must first take stock of the infrastructure currently in place and assess whether they are able to capture, store and interrogate their customer data. The obstacles mentioned in the research above need to be overcome, and with a sense of urgency.

Much of this will rely on the introduction of new data analysis skills into the workforce, and as the research showed, this is mirrored also in account management and sales. Recruitment priorities will need to be assessed and most likely changed, quite probably meaning investigating new sources of talent.

Once the tools and talent are in place, the next step is to alter the service provision itself. Service providers will need to examine their current service portfolio and identify where enhancements can be made and where the immediate wins are. A roadmap for transitioning the remainder of the services then needs to be built, with a focus on realism and sensible prioritisation.

These enhancements then need to be reflected in new SLAs and KPIs. And then finally, this competitive advantage needs to be sold. This is potentially where the greatest shift occurs. Sales and marketing will need to learn new messages and how best to articulate them, who to target and how to promote the benefits of the new service.

This is as fundamental a change to the business as transitioning from break/fix to managed services – but potentially even more valuable.

This research led to a single conclusion: the ITSM industry is on the brink of an enormous shift. The importance of the use of data is widely accepted and the value of automating actions and recommendations is proven. Few changes in business computing are as dramatic as expected – the evidence so far suggests that data-driven automation is an exception.

LAYERED SECURITY COLLECTIVE INTELLIGENCE CROSS-PLATFORM

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