

SaaS ITSM Tools – Time to Switch?

Compare your current ITSM tool to a modern SaaS approach

April 2014



The Whitepaper

This whitepaper answers the key questions CIOs are faced with when considering the value of on-premise and SaaS IT Service Management (ITSM) solutions.

- Is your on-premise ITSM tool delivering value for the business, or is it just a resource drain?
- Should you go back to the ITSM market to get the technology you need to support services and respond to business demands?
- What are the benefits of SaaS versus on-premise ITSM?

With increasing pressure to align with and ultimately integrate into the business, IT needs the right service management technology to support IT throughout the ITSM journey. Many organizations are finding themselves stuck with expensive, cumbersome, inflexible and over-customized on-premise ITSM solutions that have become more of a burden than a benefit.

In order to integrate IT with the business, IT leaders need to ‘turn the map’ and bring IT around to a more business-like way of thinking – a top-down view focusing on business outcomes, with technology taking the role of a strategic enabler. Your ITSM technology should be a tool to help you achieve business outcomes, not a cultural centerpiece for IT.



Executive Summary

Organizations need to shift the focus of IT to make it work harder for the business. They need to change from the old bottom-up, “inside-out” infrastructure view to a top-down, “outside-in” business view. IT needs to understand and support business objectives. Not just keep on doing the same old “IT stuff” that may or may not add any value to the business as it is today. Cloud computing is enabling this shift by allowing organizations to outsource management of infrastructure and technology to third party organizations, freeing them to focus on gaining value without the overheads. And the benefit? With fewer infrastructure and application management overheads, organizations can become far more agile and resource-efficient.

However, the on-premise model for purchasing and owning technology still has a strong cultural grip on the IT community. Organizations are beginning to accept the idea that ownership of software has no intrinsic value (yet many disadvantages) and the SaaS delivery model can give them access to the technology they need without compromising control, security and budget. Organizations with aging or overly customized service management systems should evaluate SaaS ITSM tools as a viable alternative to on-premise solutions.

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Is your on-premise ITSM tool delivering value for the business?

Quantifying the business value of an ITSM tool is challenging for most organizations.

All too often, toolsets are purchased to support 'utility IT' capabilities such as incident management, problem and change – as opposed to supporting a longer-term strategy with business objectives and business value in mind.

So, value is a vague concept. Outside of the direct cost savings, value is often difficult to measure in clear business terms:

- **IT cost savings**, e.g. reducing the number of required service desk and support staff. Automate work to achieve greater resource efficiency. Do more with less.
- **IT cost avoidance**, e.g. reassigning infrastructure instead of purchasing new devices. Many organizations have too many power-hungry servers that would benefit from consolidation. Others use more application licenses than they own (risking six-figure fines) or own more than they use (wasted budget).

- **IT budget efficiency** with more end users, incidents and requests to be supported, IT budget per end user is a simple metric that can be used to indicate more efficient IT operations, but this doesn't indicate service quality. Service availability is just one piece of the IT customer satisfaction jigsaw.
- **IT resource efficiency** with much of the IT operations work handled by automation, IT can re-assign resources to tackle change and improvement projects that deliver further savings and business value – yet still working within the same IT budget.
- **Business productivity** reducing end user downtime. What is the cost of user downtime that is caused by IT failure? How does the reduction in user downtime translate into more revenue for the organization?

Of course, value is only relevant in the context of cost, which raises another difficult question:

How much does your current ITSM tool cost? The direct license, maintenance and support costs are only three slices of the pie. It is a serious task in itself to quantify the Total Cost of Ownership (TCO) of an ITSM solution, as there are a number of gray areas.



Measuring Total Cost of Ownership (TCO)

License & Support costs	Direct costs billed by the vendor
Supporting infrastructure	Dedicated servers are easier to price, but if your ITSM solution is living on a shared server, it is much more difficult to accurately price this aspect of the total cost.
User costs	Looking back at the number of licenses you own will give you a solid figure for the actual cost, but this is also an opportunity to review license capacity issues. How many actual day-to-day users are there vs. paid licenses? Could the cost be reduced by rationalizing unwarranted dedicated licenses into more concurrent licenses? Calculate the license cost based on these changes and use this as the actual license cost – as this is what it should be if you should choose to remain with your current solution.
Administration staff costs	How many people, in terms of Full-Time Equivalents (FTEs), does it take to administer the system? Reducing the administration burden by just one FTE represents a significant cost saving.
On-boarding and training	What does it cost you to get a new user up-and-running and productive? Many service desks have a high staff turnover, so this can be a significant 'hidden' cost. For ITSM tools with a long learning curve the cost of training and ramp-up to productivity can be significant.
Upgrade cost	It is difficult to price a future upgrade, so look back at your last upgrade project and use the documentation to estimate the direct cost and effort cost of the project (e.g. internal man-hours and consultant services). Identify any impact of the upgrade to the business and attribute dollar values to this.
Roadmap cost	Predicted cost of implementing remaining processes to complete your ITSM roadmap. Will it be easy, or slow and expensive? Will consultant services be required?
Vendor management	Effort and costs relating to license management, organizing training, consulting services, enhancement requests and roadmap meetings.

Measuring Total Cost of Ownership (TCO) continued

As you fill in the blanks, you build up a much more complete and accurate picture of the Total Cost of Ownership.

In truth, a 100% accurate figure is unobtainable. The law of diminishing returns will quickly kick in, and the smaller, more granular costs can take a lot more time and effort to calculate. By looking at the key areas above, you should be able to calculate a cost figure that is 90% accurate fairly quickly.

Next, try to project these over the next five years. Draw up the cost timeline for a new SaaS ITSM solution, including implementation and training, and project these costs year-for-year alongside your current solution. It is possible for the costs to cross paths several times over a five year lifespan, but the cost of a SaaS solution will remain predictable, with lower Total Cost of Ownership (TCO) overall when all things are considered. However, cost is only one advantage that a SaaS ITSM solution will deliver over an on-premise solution.



Is on-premise version-lock crippling your service improvement program?

With the client organization taking responsibility for an on-premise ITSM software application (and all the configurations and customizations that entails), the process of upgrading a complex service management tool is rarely simple.

While changing business requirements translate to increased pressure on IT to deliver better services, the technology constraints of your ITSM toolset may be holding you back from delivering better services. Upgrading your on-premise ITSM solution is one option, but for many organizations this process is complex enough to create an insurmountable barrier:

- Configurations must be re-applied – and nobody can remember who set them, how, or why.
- Customizations and integrations break on upgrade - and the guys who wrote them aren't around anymore.
- No direct upgrade path - multiple incremental upgrades to step up to the latest version, with multiple rounds of implementation, testing and debugging.
- Dozens or hundreds of days of consulting services with no guarantee of success.

- The upgrade process is often more complex than going back to vendor selection and a fresh implementation.

Many organizations have submitted to version-lock – the idea that they are so heavily embedded into their toolset that continuing to customize their current version is easier than upgrading to the most recent code stream, or switching vendors altogether. This usually comes with a heavy price tag - teams of consultants and developers, and a significant lag between a change in business requirements and support for these requirements.

Often, these organizations get themselves completely lost in building and maintaining a custom software application to support operations. The IT people can become obsessive about the system and lose all focus on what the system is actually supposed to do. They forget that there is a software market out there, and that their organization is not in the business of developing software. Some that suffer from version-lock may state that the tools in the market won't fit their unique requirements, but wouldn't meeting 80% of requirements for 20% of the cost be more sensible? Requirements are rarely as unique as the client presumes.

With SaaS technology, version-lock is simply not possible, and there are no upgrade headaches. The vendor is responsible for all upgrades, occurring seamlessly from the customer's perspective. New functionality is instantly accessible with no effort from the client. This means that fewer IT resources are expended on application management tasks, and more resources are available for service improvement programs that have a positive impact on customer satisfaction and revenue.



Should you go back to the ITSM market to provide services that meet business demands?

Organizations need to look closely at the value their current ITSM toolset delivers and whether they can derive more value from another toolset in the market.

There are a number of questions that need to be answered objectively:

- Does the technology you own fit your current requirements?
- Do the direct costs, indirect costs and resource requirements indicate good value for money?
- Is the vendor's roadmap clear?
- Is the vendor stable?
- Does it support the requirements for your ITSM improvement roadmap?

Some organizations are returning to the market because there are specific functional shortfalls between an outdated toolset and their requirements. Others are looking at SaaS ITSM solutions as part of a much broader cloud strategy. Others are interested in SaaS from a pure cost perspective. Does the SaaS ITSM product you are looking at actually allow you to meet all the requirements that your current solution will not? Think about the more general questions around a toolset replacement. Is the cost of an all-singing-all-dancing toolset justifiable when a toolset at 50% of the cost will meet 98% of requirements?

Ultimately, as SaaS ITSM tools assume more market share, many vendors will retire their on-premise lines of business – leaving clients to face a forced migration that suits the vendor's timing, not the client's. Considering this problem now will allow you to plan migration at a time that suits your own organization better.

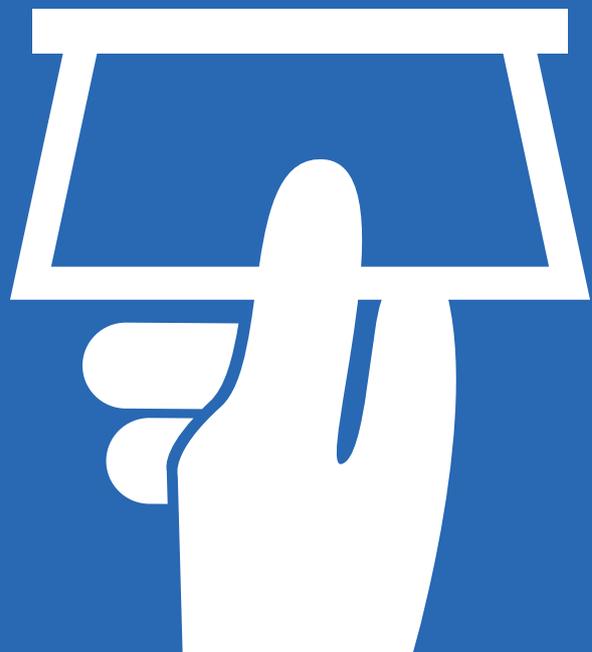


Are budget constraints preventing you from accessing new on-premise technology?

The deep capital expenditure associated with on-premise applications makes building a business case a necessity.

As a large investment, the CEO and CFO must be satisfied that the investment will return value before budget can be signed off. This presents a massive barrier, preventing IT from accessing the new technology you need. If your organization is desperately in need of new service management technology, time spent building a business case can seriously hold up your ITSM roadmap. With 70% of CFOs stating that they do not see a definite return on investment from IT budget, getting capital funding is becoming increasingly difficult. And the answer is often 'no'.

With SaaS, technology is rented on a pay-as-you-go basis - meaning the cost of technology can be absorbed by the operation budget, below the radar of the CFO and CEO. Acquiring technology via the SaaS model is an effective workaround to the 'no budget' problem. Of course, the cost of a SaaS solution may not always fall at a lower level than your existing toolset, but if your organization is in desperate need of new ITSM technology and your CFO won't release budget, SaaS is a well-fitting option.



Benefits of SaaS ITSM solutions

OpEx access to new technology

- No infrastructure costs, no maintenance cost.
- No power costs or cooling, meaning savings on energy and a lower carbon footprint.
- Easier to get budget, or avoid the budget issue altogether, by absorbing the cost within the operational budget.
- Being capital light and infrastructure-free, the SaaS model is a 'rogue IT' enabler, with no need for business units to involve IT people in decision-making. However, this is not relevant to service desk and ITSM tools which are owned within the IT organization itself.

Manage your services, not your service management software

- Access the latest ITSM technology faster. Instant, seamless access to new features and functionality without complex upgrade projects barring access. Your service desk need never be offline again.
- No infrastructure to install, power or support.

Scalable pay-as-you-grow model

- Expand or contract your service desk to meet business demand (e.g. easily deploy temporary service desk staff to increase capacity during peak demand periods).
- Lightweight purchasing process reduces the vendor management overhead.

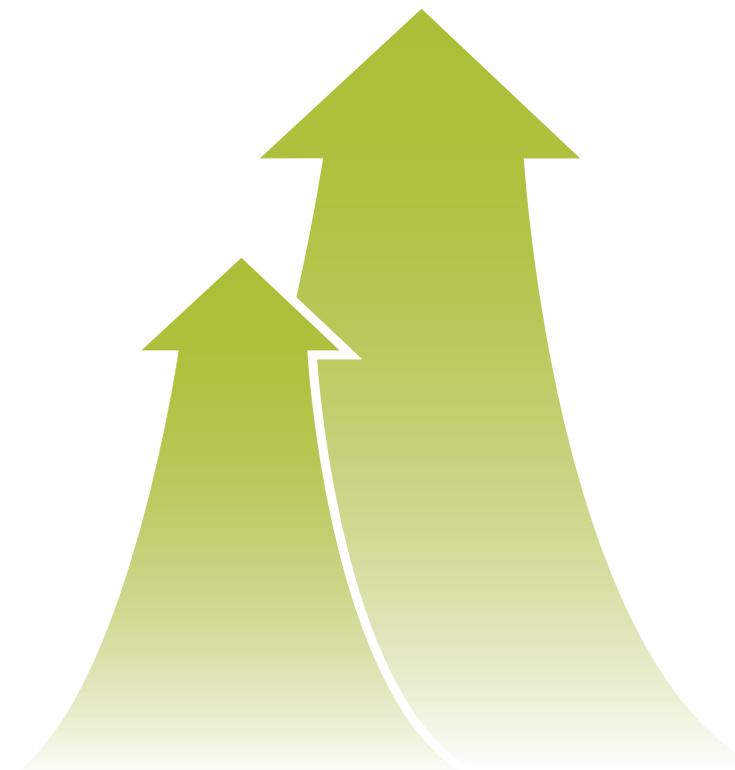
Support an increasingly mobile workforce

- SaaS applications are available wherever you have internet access.
- Free from desktop installs, support staff can work from any browser enabled smartphone, tablet, or laptop on the move to better suit the requirements of the business.

Simplify Disaster Recovery

60% of organizations never recover from a major disaster. SaaS technology helps reduce risk by reducing application overheads and freeing support staff from desktops.

- One fewer business-critical application to worry about in the Disaster Recovery (DR) plan.
- Store your DR plan, infrastructure snapshots and recovery processes off-site - easily accessible and easy to activate quickly to enable rapid recovery.
- No desktop installs to manage before the service desk is up-and-running. Support staff can get straight to work with the DR plan - significantly reducing the business impact of a disaster.



Benefits of SaaS ITSM solutions continued

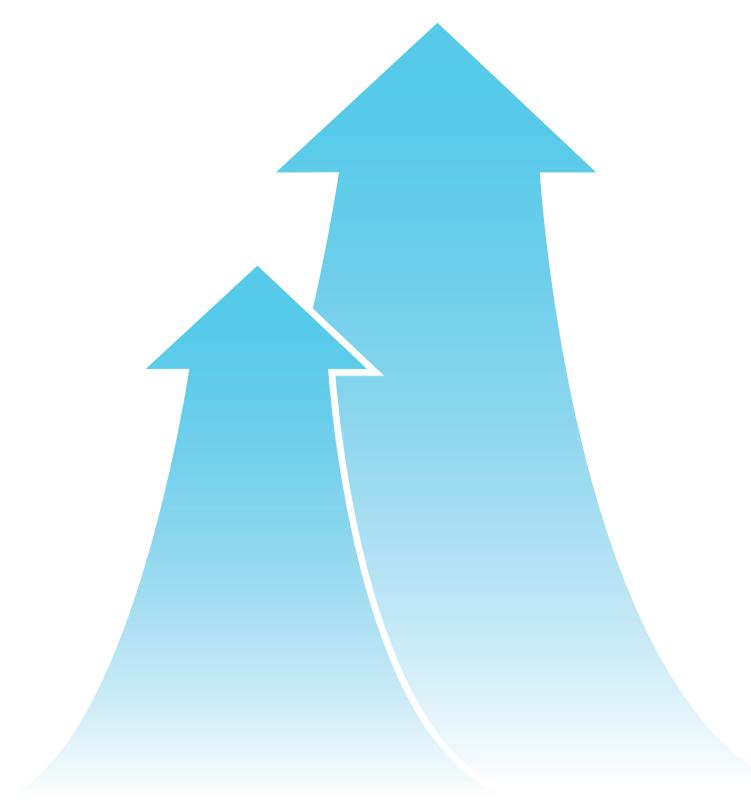
Business-agile management of technology assets

- Be nimble and more responsive to changing business needs. Source, scale and deliver the technology the business needs more quickly.
- SaaS enables better IT flexibility and lower risk.
- Vendor-lock and version-lock don't apply to SaaS tools. With SaaS, your organization will always have the freedom to change which technology you select and when.
- Organizations can switch tools more easily and cheaply if business requirements change.
- No CapEx investment means less resistance to toolset replacement from the CFO, as there is no large investment value being wiped off the books.
- No complex supporting infrastructure to re-task or replace as part of a toolset replacement.
- License-usage is inherently more track-able, enabling better alignment between the number of licenses owned and the number of licenses in use.

SaaS technology vendors work harder

When it's easier to switch toolsets, vendors have to work harder to keep customers happy:

- Listen more to customer requirements
- Provide better customer support
- Faster innovation. SaaS vendors are using agile software development methodologies to get new functionality into their products faster. Knowing this on the SaaS playing field makes rapid innovation critical to continued success.
- Availability is a critical service quality for SaaS vendors, which is why you'll get higher availability than your current on-premise solution.
- Security is a major concern for most organizations, making it another critical service quality for SaaS vendors. So much that many customers evaluating SaaS tools find that the level of security is even higher than their own.



SaaS vs. On-Premise – At a glance

Feature	SaaS	On-Premise
Cost Model	Simple, pay-as-you-go, per-user charging.	Complex licensing, maintenance and support fees.
Total Cost of Ownership (TCO)	Predictable, low cost. Savings of up to 50% can be made when replacing an incumbent on-premise solution. Release funds for new IT projects or core business investment.	Unpredictable cost burden on top of license costs – implementation, administration, maintenance, upgrade, customization, consulting services, re-implementation.
Ownership	Rented.	Owned.
Investment	OpEx only – no heavy upfront investment – meaning no business case is necessary.	Large initial CapEx investment, plus on-going OpEx costs – meaning a time-consuming business case project is necessary.
Infrastructure	Zero infrastructure – bandwidth and browser-capable devices is all you need.	Data center servers, application servers, databases, standard-build desktops and laptops.
Implementation	Online implementation only. Quickly configure the system to suit your organization’s needs	Heavy-weight implementation involving technical infrastructure, change management, software rollout, and extensive testing.
Application Management	Light: Administration and configuration only.	Heavy: Administration, configuration, customization, upgrade projects, and patches.
Scalability	Add/remove users at will.	Slower scalability through vendor account management process.
Security	Being business-critical to SaaS providers, security is tighter than most on-premise systems.	You maintain security and responsibility for any breaches.
Power Usage	Minimal: User desktops, laptops and devices only.	Significant: User machines and infrastructure in the data center.
Mobile Support	Anything with a browser platform.	Reliant on availability of proprietary apps for each platform.
Vendor Lock-in	Change vendor easily and with little loss of investment.	Vendor strategy is based on locking you in for years. Switching is likely to be slow and expensive.
Disaster Recovery	One less application to worry about. No supporting infrastructure to replace. Switch to an alternate off-site service desk in seconds.	Re-implementation of supporting infrastructure required – not ideal when the operation of the service desk is business critical during a disaster.
Market Availability/ Barriers to Entry	Enterprise-class ITSM technology becomes within the reach of all organization sizes and budgets.	Cost and resource requirements preclude all but the largest businesses from owning enterprise-class ITSM technology as an on-premise option.

Axios

For more than 25 years, Axios Systems has been committed to innovation by providing rapid deployment of IT Service Management (ITSM) software. With an exclusive focus on ITSM, Axios is recognised as a worldleader, by the leading IT analysts and their global client base.

Axios's enterprise ITSM software, *assyst*, is purpose-built, designed to transform IT departments from technology-focused cost centers into profitable business-focused customer service teams. *assyst* adds tangible value to each client's organization by building on the ITIL® framework to help solve their business challenges.

Axios is headquartered in the UK, with offices across Europe, the Americas, Middle East and Asia Pacific. For more information about Axios Systems, please visit our website, Twitter or YouTube channel.

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