MICRO FOCUS

Digital Transformation & ESM

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ESM Primer - Drive Back-Office Digital Transformation Through Service Management

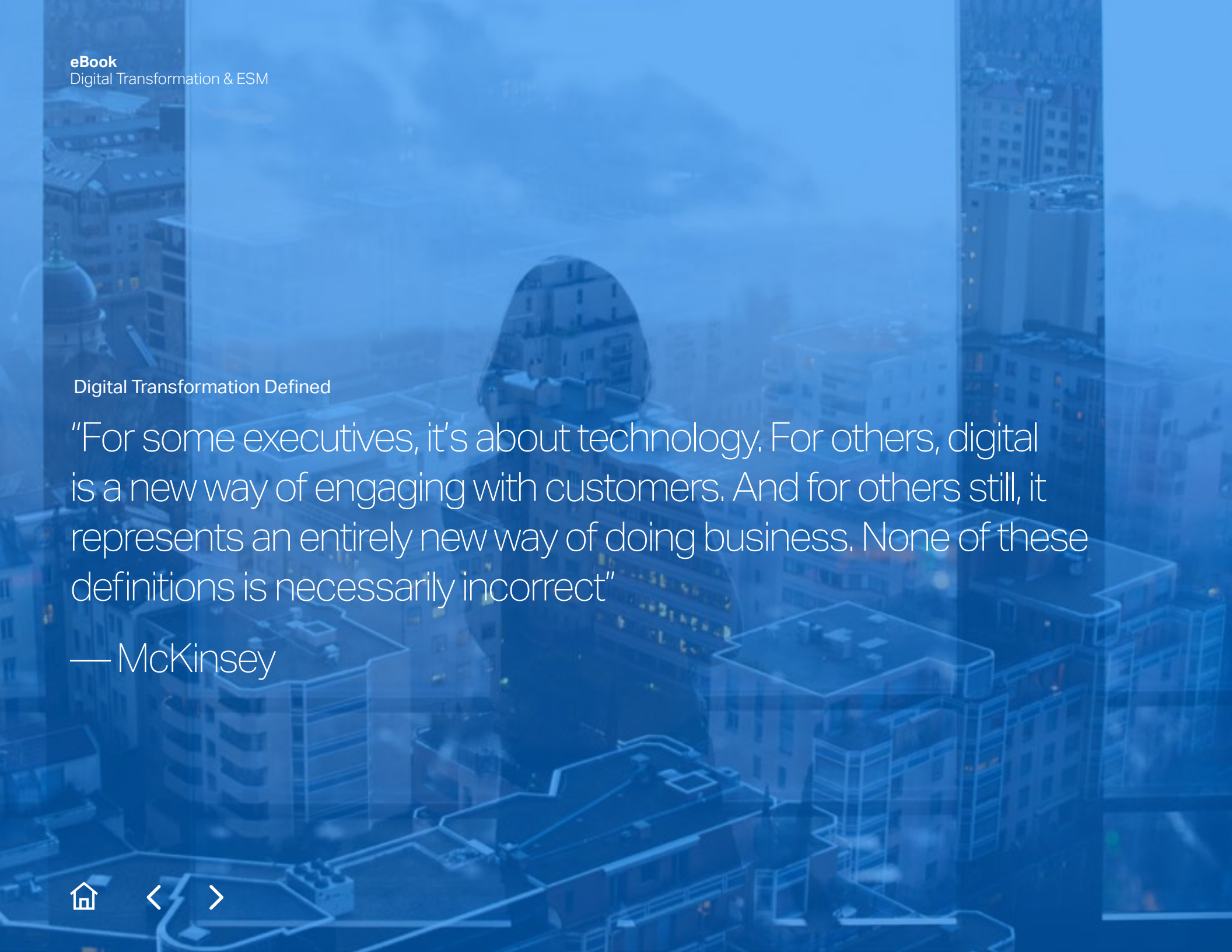
Digital transformation, while currently a much-hyped part of IT and business conversations, is a very real need. Companies need to evolve, or maybe even reinvent themselves, to reflect the ongoing changes in the business landscape. From their product and service offerings, to how they engage with both new and existing customers, to their business and operational models – with the latter including the suitability of back-office operations – they need to transform.

This eBook is designed to help you understand:

- What back-office digital transformation is, the key challenges it solves, and the required approach for transformation success.
- How enterprise service management can be a platform for back-office digital transformation and the key capabilities it offers.
- How to create the business case for enterprise service management and how other organizations have already invested in it.
- Key factors in enterprise service management success.

Digital Transformation – Transforming Back-Office Operations

There are many available definitions of what digital transformation is. These often place the emphasis on the use of technology and data to create new products and services, and thus new revenue streams. But digital transformation is about so much more than the technology, as is how digital transformation success is achieved.



Digital Transformation Defined

"For some executives, it's about technology. For others, digital is a new way of engaging with customers. And for others still, it represents an entirely new way of doing business. None of these definitions is necessarily incorrect"

— McKinsey

Building on this definition for greater clarity, digital transformation can be split into the following three parts:

01
Design & Delivery

The design and delivery of new products and services, and thus new revenue streams, based on the exploitation of technology and data.

02
Better Customer Engagement

A focus on the improvement of customer engagement and the employed mechanisms – with the aim of improving the customer experience across the entire customer lifecycle (again with the help of technology and data).

03
Back-Office Digital Transformation

The improvement of back-office operations, in particular the modernization of potentially antiquated manual procedures through technology.

While the first two parts of digital transformation – i.e., those that are very much "front office" – are commonly the most talked and written about, many organizations have, sometimes painfully, learned the importance of back-office digital transformation in delivering the required front-office changes. A 2019 World Economic Forum paper describes this well:

"Customer engagement is essential, great product and services are mandatory, and an innovative economic model may be table stakes, but without operations all of that fails."

Plus, that: "…the better back-office operations are vital in being able to support the new product and customer-engagement enhancements." The failure to address your organization's back-office digital transformation needs is just one of many early-adopter mistakes that need to be avoided in order to achieve digital transformation success.


"...the better back-office operations are vital in being able to support the new product and customer-engagement enhancements."

The Many Challenges Addressed by Back-Office Digital Transformation

Most business functions, departments, and teams within an organization are ripe for back-office digital transformation. And, while there are many differences between human resources (HR) and facilities, say, there are also many commonalities associated with the fact that most back-office teams will be providing some form of service and support.

At the most basic level, these teams will process work that needs to be done via tasks and workflows, plus have a need for management oversight and insight. In an ideal world, much of this will be automated through fit-for-purpose technology. However, while this is the case for many of IT's service-focused teams – thanks to IT service management (ITSM) tools – there are many other parts of the organization where work is still predominantly manual, and reliant on communal email inboxes and spreadsheets, despite there being a discipline-specific tool in place.

For example, an HR management system (HRMS) that – while holding employee data – doesn't provide capabilities that support the work needed to provide service and support. The result being delays, errors, and increased costs; plus, a poor service experience for those wanting help, information, service, or a change.

Layered on top of this reliance on ad hoc manual processes, and limited business-function-specific tools, are a number of additional challenges that make it harder – individually and collectively – for traditional back-office operations to support the new (digitally transformed) front office and the employees that help to power it:

- Higher work volumes, which need to be handled by the existing, or maybe fewer, staff.
- A lack of insight into work task and workflow statuses and outcomes, plus into operational performance and improvement opportunities.
- Raised employee expectations, caused by their better personal life experiences of service and support.
- Resourcing difficulties, either due to the limitations of budgets or the available skills pool (or both).
- The organization's increasing need for the delivery of change and innovation at pace.
- The need to adopt newer service and support technologies such as artificial intelligence (AI)-enabled capabilities, including chat bots and other bots.
- An inconsistency in service and support operations between the many corporate shared service providers, making it unnecessarily difficult for employees to access services and support across the organization.

These are all service and support challenges that back-office digital transformation needs to address.

Taking the Right Approach to Digital Transformation

In addition to appreciating that any digital transformation investment in new products and services, and better customer engagement mechanisms, will be suboptimal without suitable back-office digital transformation, there are common issues identified by early moving organizations.

These include:

- **Unrealistic expectations** of what's involved (for digital transformation success).
- **Underdeveloped people talent** – for both the transformation activities and then the business-as-usual (BAU) state.
- **Poor communication** throughout the life of the transformation project/program.

There are also key lessons learned that relate to the positioning of digital transformation and the associated thinking and actions that are needed.

In particular, that digital transformation:

- Isn't about technology and needs to be approached as a business transformation.
- Needs to be highly people-centric, especially the recognition that employees will be significantly affected by the change.
- Will require activities, and cause pressures, that the transforming organization needs to be fully prepared for.
- Isn't a one-time thing and will always be in play as an ongoing improvement initiative.

These points are still relevant to organizations that are embarking on, or still struggling with, their digital transformation initiatives.

Enterprise Service Management as a Platform for Back-Office Digital Transformation

As with digital transformation, enterprise service management is an approach to making back-office operations “better, faster, and cheaper” across the organization. It aims to reduce the reliance on overly manual operations and provide additional operational best practice and technology-enabled capabilities that improve the service and support experience (and outcomes).

Unlike digital transformation, enterprise service management is an approach that has evolved over the last decade – with additional lessons learned for ensuring that its adoption is successful.

Enterprise Service Management Explained

Enterprise service management has been growing in popularity for the last decade, but the last five years have seen this speed up both in terms of adoption levels and the extent of corporate adoptions.

There are many available definitions of what enterprise service management is, but no single one has been agreed on as an industry standard. The following is a good example:

"The use of ITSM principles and capabilities in other business areas to improve their performance, service, and outcomes."

It also goes by many names – from "outside IT" or "taking the IT out of ITSM" to, more recently, "back-office digital transformation."

In its early days, enterprise service management was merely the use of the corporate ITSM tool by another business function, such as HR, to help improve its operational efficiency and effectiveness, plus to reduce costs. This provided better work and workflow management capabilities to business functions that were predominantly working via email and spreadsheets – usually via ad hoc processes that resulted in delays, errors and losses, no management insight into performance, and poor employee experiences and outcomes.

Since then, enterprise service management has evolved considerably, with the now-more-modern and strategic approach offering so much more to organizations. It not only improves efficiency and effectiveness, while reducing operational costs, but also allows the adopting business functions to better deliver against business and employee expectations of service and support.

The Key Service Management Capabilities That Enable Back-Office Digital Transformation

How enterprise service management enables back-office digital transformation can be viewed in two parts – the as-is and the soon-to-be. Importantly, much of the soon-to-be capabilities are already here, with the future-based terminology related to the current adoption levels.

From a technology perspective, these two sets of capabilities can be viewed as the:

1. Core ITSM tool capabilities that already enable back-office digital transformation for many organizations.

2. Newer automation and AI-enabled capabilities that, while already available, are still to be highly adopted by ITSM teams and then shared more widely across back-office organizations – for instance, chat bots and virtual agents.

The commonly adopted ITSM capabilities that already provide operational, experiential, financial, and outcome-based improvements to other business functions include:

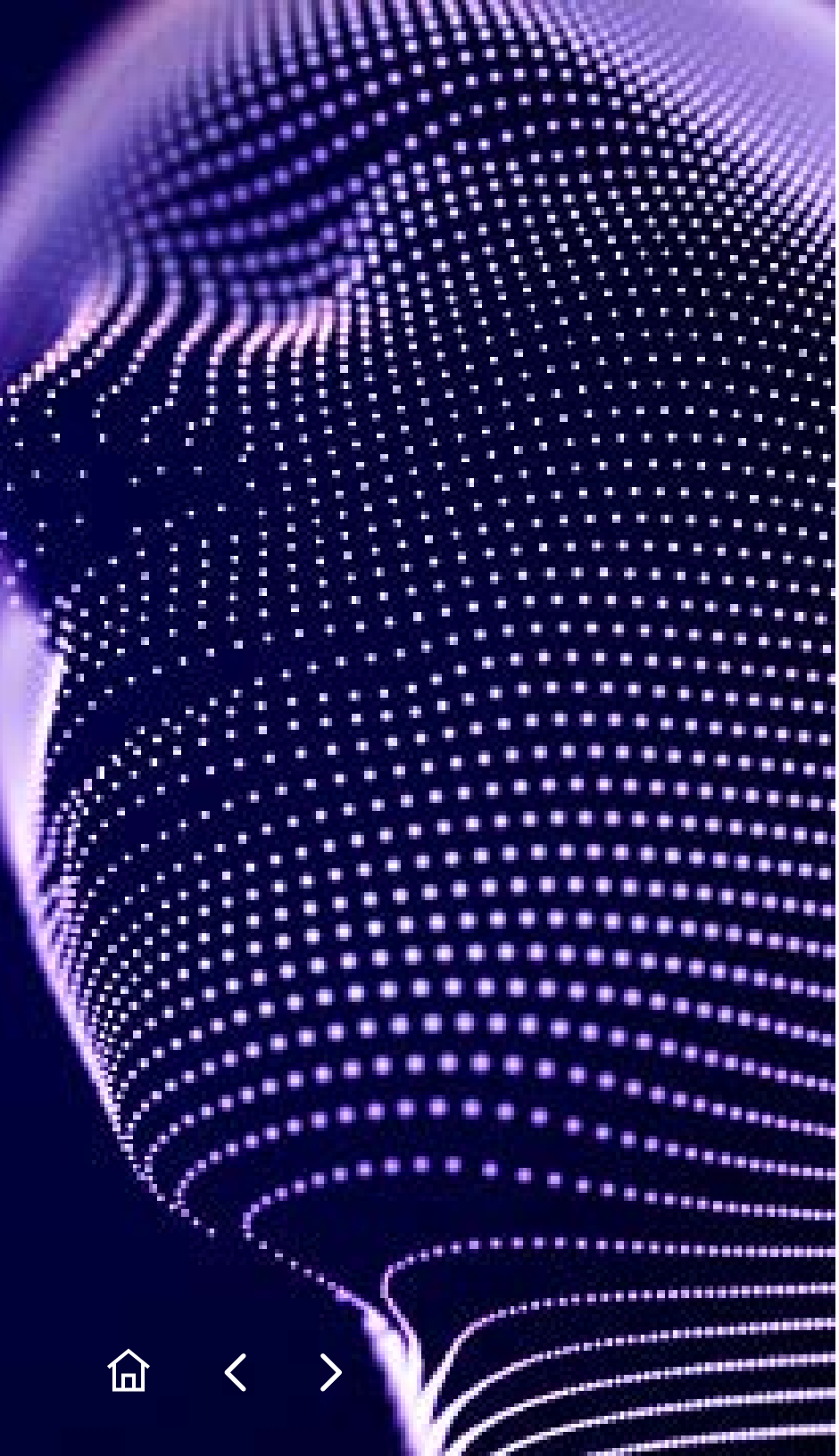
- **ITSM best practices** – from service-based thinking to specific service and support processes or practices.

- **Workflow automation and orchestration** – especially as part of ITSM processes such as incident management (there's more insight into the most commonly adopted processes later).

- **Knowledge management** – for service and support staff and for the employees and customers they serve.

- **Omni-channel support** – self-service portals and other "modern" access and communication channels.

- **Reporting and analytics capabilities** – that provide insight into the health of service and support capabilities, plus identify opportunities for improvement.



Newer AI-Enabled Capabilities That Amplify Digital Transformation

While many talk as though AI-enabled capabilities for ITSM and IT support are things that are "coming soon," the truth is that many are already a reality – with the future perspective really related to:

- Higher levels of adoption, i.e., moving beyond the early adopters.
- Capability improvements in terms of both quality and quantity, i.e., that what's currently available will get even better, and that additional AI-enabled opportunities will be realized.

The AI-enabled capabilities already available for ITSM include:

Customer-facing chat bots & smart virtual agents

While chat bot is the term that most people are familiar with, machine learning can also be employed for much more than simple conversation-based support capabilities.

Intelligent ticket routing

The use of machine learning and automation for the initial classification, prioritization, and routing of end-user requests for help and service. Here self-learning is used to improve the performance over time.

Internally-facing virtual assistants

as with the chat bots and smart virtual agents, but this time to help IT staff in their work. Think of this as staff knowledge and capability augmentation.

An intelligent email support channel

While many ITSM tools already create tickets from received emails, this is where machine learning also understands the content and context of an email before replying to the sender with a number of suggested solutions. For example, a screenshot taken with a mobile phone can be sent to the service desk to open a ticket.

Intelligent search

This looks across all structured and unstructured data, within and outside the service desk, dynamically changing search results over time based on feedback and other usage data.

Intelligent change management

in the same way that machine learning can be used to suggest actions to IT service desk staff, it can offer a similar capability to change managers in respect of requested changes.

Improved analytics

This includes pattern detection combined with self-learning (machine learning) capabilities for the system to improve itself. In use cases that range from problem identification through to more-intelligent forecasting. feedback and other usage data.

The important point to note here is that these capabilities are also applicable to other parts of the organization via enterprise service management, further enabling IT to help out colleagues in the pursuit of back-office digital transformation.

Creating the Business Case for Enterprise Service Management

In using enterprise service management as a platform for back-office digital transformation, it's highly likely that a robust business case will be needed to justify the changes to people, processes, and technology and the associated efforts and costs.

The Key Benefits of Enterprise Service Management

There are a number of generic benefits to consider. Each of these can be quantified as appropriate for your organization and, as you might expect, they're very much in line with the benefits of ITSM adoption.

These benefits start with meeting the need for "better, faster, and cheaper" thanks to:

- A better employee/customer experience and more consistent outcomes.
- Improved effectiveness of service and support – from service management best practices per se to specific capabilities such as knowledge management.
- Improved speed/efficiency and reduced costs – including workflow automation, self-service, automation and AI efficiencies, and workload reductions. This is likely to be where most of the financial savings will be identified.

But there are many other "ways of working" benefits to also consider in your business case, for instance:

- Improved visibility into operations and performance (for better decision making and increased control and governance). It's so important not to overlook this benefit because where staff are currently undertaking work via email, management is likely to have no idea of how well they're performing (individually and collectively).
- The opportunity, and the platform, for improvement – especially through the advanced insight into trends and other patterns previously hidden within unstructured data sets.
- A better return on investment (ROI) on the corporate ITSM tool.
- Standardization of service and support, which not only saves costs but also delivers a better employee experience – with the capabilities ideally built around the employee rather than the disparate service providers.

There's also an additional – more "selfish" – benefit for the IT organization. This is the opportunity for IT to demonstrate its business value as it enables the required back-office digital transformation for each business function. And this is how enterprise service management strategies are commonly executed – the IT organization drives the change across the enterprise.

The Current State of Enterprise Service Management Adoption

While a business case will rightly focus in on the benefits versus the costs of a proposed change, a factor that's also worth considering is how that change is already happening within other – ideally similar – organizations. So in addition to understanding the positive impact enterprise service management will have, an organization can also identify if they're early adopters or laggards from a risk management and perhaps a competitive advantage perspective.

According to recent research by Enterprise Management Associates (EMA) , "Enterprise service management is mainstream. Whether thriving in longstanding, mature implementations or taking its enterprise place in new deployments, enterprise service management is everywhere . . . except for the 5% who responded that they have no plans for enterprise service management."

Another useful survey-based snapshot to consider is a late-2018 HDI survey and report called "The State of Enterprise Service Management." This showed that 59% of organizations are currently using, or are planning to use, service management principles outside of IT.

Whereas an early-2019 ITSM.tools "Future of ITSM" survey found that 69% of organization are currently using or planning for enterprise service management – versus the 20% that currently have no plans for enterprise service management (the remainder were "don't knows").

While these last two sets of enterprise service management adoption figures are lower than those of the EMA survey, the HDI and ITSM. tools surveys and reports both show a healthy – and growing – level of adoption of enterprise service management.

59%

of organizations are currently using, or are planning to use, service management principles outside of IT.

20%

currently have no plans for enterprise service management

Getting Enterprise Service Management Right

This eBook has already shared a number of challenges and learnings related to digital transformation. However, there are also challeng and learnings related to enterprise service management adoption to consider (with a certain level of overlap with the digital transformation points).

This section highlights these from a positive perspective, in the form of six good practice tips for your enterprise service management success.

Understand What Enterprise Service Management Adoption Currently Entails

While this eBook has already explained what enterprise service management is, and has offered up statistics related to the level of adoption, greater granularity in adoption understanding is required by organizations seeking to benefit from it.

This data shows that enterprise service management is predominantly being used to share ITSM capabilities that would improve service and support in other business functions, i.e., back-office digital transformation, rather than the more IT service delivery related aspects of ITSM.
As to where (within the organization) these capabilities are being shared, the top four areas are HR, facilities, finance, and externally facing customer service/support teams.

Top-six most shared ITSM processes/practices:

72%
Incident/request management

56%
Service catalog

35%
Customer relationship management

59%
Knowledge management

39%
Change management

35%
Problem management

Source: 2018 HDI Survey

Recognize That Back-Office Digital Transformation Requires a Strategic Approach to Enterprise Service Management

As already mentioned, enterprise service management has evolved considerably over the last decade, with a newer strategic approach offering so much more than the original – potentially one-time – use of the corporate ITSM tool by another business function (such as HR). But this latter approach is still possible, as is a hybrid where the one-time approach is taken and then repeated.

However, neither of these non-strategic approaches are well-suited for back-office digital transformation. The hybrid approach not only takes longer to deliver potentially suboptimal solutions, but also misses the opportunity to provide a consistent service and support experience (to employees) across all shared service providers.

Focus on People Change Needs

As with the earlier digital transformation learning, make this a people-related change (and not one simply concerned with the processes and technology). Organizational change management tools and techniques are required to bring about required behavioral change. For employees in all the affected business functions to understand "what's in it for them," they need to buy in to the change and embrace the new ways of working that enterprise service management and back-office digital transformation bring about.

Don't Share Subpar ITSM Capabilities, Improve Them First

On the face of it, enterprise service management is a great opportunity to improve the operations and outcomes of other business functions. This is, however, based on the assumption that any shared ITSM capabilities are as good as they need to be, which sadly, is not always the case. Two good examples are self-service and knowledge management – which are both top-three shared capabilities in enterprise service management, yet also ITSM capabilities that many IT organizations are still struggling to master, often due to low employee adoption levels.
Some of the blame can be pointed at the lack of organizational change management – this time in the introduction of IT self-service and knowledge management capabilities – as per the previous tip. There are also opportunities to improve these capabilities through better technology enablement, in particular the introduction of AI-based capabilities.
The important thing is to do what's necessary to make subpar capabilities an ITSM success before extending them to other parts of the organization.

Choose an Adoption Approach That Best Suits Your Organizational Capabilities

As with ITSM, enterprise service management can be adopted via either a phased or "big bang" approach. The latter delivers the benefits more quickly, while the former is lower risk. The choice your organization makes will be dependent on its capabilities and capacity for change, plus its appetite for risk.

The phased approach can also take two routes – either facilitating adoption by business function (or perhaps teams within them) or by capability. For instance, delivering enterprise-wide self-service capabilities first. This is usually influenced by "what's hurting most" and/or the capabilities that will deliver the biggest benefits quickest.

The lower risk phased approach is most commonly taken, but it ultimately depends on what your organization wants to do after being presented with the pros and cons, and benefit implications, of both paths.

Next Steps

Hopefully this eBook has provided you with much needed insight into:

- What back-office digital transformation is, the key challenges it solves, and the required approach for transformation success.
- How enterprise service management can be a platform for back-office digital transformation and the key capabilities it offers.
- How to create the business case for enterprise service management and how other organizations have already invested in it.
- Key factors in enterprise service management success.

If you would like more information on how SMAX (Service Management Automation X), Micro Focus' machine-learning-based service management solution for ESM, ITSM, and ITAM can help your organization, a good starting point is

https://www.microfocus.com/itsm

About Micro Focus

Micro Focus helps organizations run and transform their business with solutions spanning four key areas: Enterprise DevOps, Hybrid IT Management, Predictive Analytics, and Security, Risk & Governance. Driven by customer-centric innovation, our software provides the critical tools they need to build, operate, secure, and analyze the enterprise. By design, these tools bridge the gap between existing and emerging technologies—enabling faster innovation, with less risk, in the race to digital transformation.

About the Author

Stephen Mann is Principal and Content Director at the ITSM-focused industry analyst firm ITSM.tools. He's also an independent IT and IT service management marketing content creator, and a frequent blogger, writer, and presenter on the challenges and opportunities for IT service management professionals.