

## It's Not All About the Cloud: Why Hybrid ITSM is Here to Stay

*By Kevin Smith, vice president and general manager, Cloud Business Unit, FrontRange, special to Network World  
December 24, 2012 02:00 PM ET*

Network World - [This vendor-written tech primer](#) has been edited by Network World to eliminate product promotion, but readers should note it will likely favor the submitter's approach.

"Cloud-based" might be the most overused marketing term of 2012. Vendors of all stripes seem to believe an edict has been handed down to enterprise IT management who now want all cloud all the time.

There's one problem: It's not true. While cloud computing certainly makes sense in certain situations for certain applications, the fact is most companies will employ a hybrid model that combines cloud and premise-based applications for years to come, if not forever.

This is certainly the case in the IT service management (ITSM) market. According to a survey of 95 IT executives conducted by IDG's CXO Media CIO Peer2Peer Research Panel, 55% prefer a hybrid ITSM model, 33% prefer a premises-based solution and only 13% opt for a pure cloud offering.

Gartner doesn't see the trend reversing anytime soon. In its August 2012 report, "How to Decide Whether SaaS ITSM Tools Make Sense for Your Organization," Gartner predicts 30% of companies currently using cloud-based ITSM tools will switch back to a premise-based solution by 2014.

For companies that use some cloud-based applications, or need to cover branch offices and other sites that have few or no IT resources, a cloud-based ITSM offering may well make sense. But for enterprises that run the vast majority of their applications in-house, or that have lots of custom requirements, an in-house ITSM offering is likely the better choice. To cover both, then, enterprises need an ITSM solution that can deal with both worlds; in other words, a hybrid ITSM strategy.

### Understanding cloud economics

One reason companies are unlikely to stick with a cloud-only solution is it gets expensive as the years go by. Yes, cloud reduces your upfront capital investment because there's no hardware or software to buy or install. But if you run a good TCO model, you'll quickly see

the benefit is short-lived. It's the same as leasing vs. buying a car. If you're going to own the car for 10 years, it's a far better deal to buy it than lease.

Say you have 100 users and you're going to spend \$250,000 on a perpetual license for your ITSM solution. You will have an initial expense but you'll own that license forever. Now consider covering those users with a cloud-based ITSM solution instead. Maybe that costs you \$100,000 in year one. But then you pay another \$100,000 in year two and again in year three, and so on. Depending on the TCO model you use, you'll likely find somewhere in year three, around 30-32 months, the lines cross and the premise-based option becomes less expensive.

And that's not even taking into account others costs, as the Gartner report points out. "SaaS-based ITSM tools appear to provide cost savings. However, failure to account for the resources to implement, integrate, operate and maintain the tools will result in the inability to extract value and achieve the expected ROI," Gartner says. [also see: "[SaaS heats up IT service management arena](#)"]

The other big issue with some cloud ITSM solutions is they are largely inflexible -- pretty much a one-size-fits-all sort of proposition. The fact is you're using a standard application that you're sharing with lots of other customers, so you're limited in terms of the configuration changes you can make. That presents an element of risk because what you need today may be quite different from what you need tomorrow. If you acquire another company, get acquired or launch a new line of business, requirements can change dramatically.

## **Why hybrid will dominate**

Still, a cloud model does make sense in some instances. For smaller companies with limited IT resources or a larger firm that has lots of branch offices with no IT staff on site, a cloud-based ITSM offering may be just the ticket.

But more common will be a scenario where a large company that needs an ITSM solution finds it has so many custom requirements that a premise-based solution is the only viable alternative. It's like an NBA player trying to buy a suit off the rack. He's not likely to meet with much success -- he needs custom tailoring.

That same company, however, may have some division or business unit located in a remote location where they don't have the skill set to deploy an ITSM solution on-premise. They need somebody else to do it for them.

Such a company needs a hybrid ITSM model. In the larger locations, where they do have sufficient server capacity and IT skills, the on-premise model works well and is cost-effective. But those remote locations are better served with a cloud model.

What companies really need is flexibility, meaning the ability to use a cloud-based ITSM tool where it makes sense and a premise-based one where the cloud model doesn't work well. Too often, though, it's an either/or proposition -- companies are forced to choose a cloud

tool that doesn't really do everything they need it to, or a premise-based solution that may not be able to cover their entire organization. What they need is a single solution that works in either a cloud-based or premise model, but sharing a common centralized console that gives them the same look and feel.

Such a model protects the company against unforeseen changes in their business. If the organization acquires another company, maybe one with lots of far-flung branch offices, it can quickly bring them on board using the cloud model. But over time if the company opts to consolidate offices, perhaps it would be better served with a premise-based ITSM solution. A hybrid model gives the company the flexibility it needs to meet its short-term needs after the initial acquisition as well as its long-term requirements.

## Meeting customer requirements

Your ITSM tool also has to be flexible in terms of its ability to scale and to enable customization. One government research lab, for example, required lots of customization because it had more than 750,000 inventory items to track under its ITSM tool. At the same time, as part of its move to adopt ITIL best practices, the organization wanted to consolidate some 25 service desks that had cropped up over time, each serving some silo of the organization.

After implementing incident management, configuration management and voice-response self-help tools, the lab saw its call volume shoot up from an average of 1,700 calls per month to 7,500 calls. Yet it was able to manage the increased volume with only an 18% increase in help desk staff because the ITSM tool was so effective in helping them do their jobs.

Another customer opted for a cloud-based ITSM tool to help manage its data center outsourcing business. It also needed a flexible tool, one that would integrate with the many tools that comprise its internal operational support system (OSS). That's a good example of how a hybrid ITSM tool should work -- cloud where you need it but integration with in-house tools where appropriate.

IT executives don't have to buy the notion that an ITSM solution has to be one or the other - cloud- or premise-based. The fact is, we're going to be living in a hybrid IT world for the foreseeable future. It makes sense to have an ITSM solution that is flexible enough to give you the best of both worlds.

*FrontRange is the global leader in hybrid IT service management (ITSM) solutions for organizations of all sizes.*

[Read more about infrastructure management](#) in Network World's Infrastructure Management section.