

Software's Path Forward In The Agentic AI Era — With ServiceNow's Amit Zavery

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SUMMARY

Amit Zi, president and COO of Service Now, discusses the evolving landscape of software in the age of AI, emphasizing the importance of integrating AI into existing systems rather than replacing them entirely. He argues that while AI presents opportunities, it also requires careful management to ensure security, compliance, and efficiency in enterprise environments.

- Service Now has been investing in AI for years, positioning itself as an AI-first company to enhance its software offerings.*
- The narrative that AI will replace software companies is overly simplistic; enterprises require robust systems that ensure security and compliance.*
- AI can improve efficiency but must be integrated with existing workflows and processes to be effective.*
- Service Now acts as a "system of action," connecting various systems and automating processes while maintaining control and oversight.*
- The complexity of enterprise systems means that simply deploying AI agents without context and governance can lead to significant risks and failures.*
- Successful AI implementation requires a combination of sensing, decision-making, acting, and securing processes within a unified platform.*
- The rapid pace of AI development poses challenges for companies to keep up and effectively integrate new technologies into their operations.*
- The future will likely see a collaborative ecosystem of providers rather than a single winner in the enterprise software space.*

What does the future of software look like in the age of AI and agents? Let's talk about it with Amit Zi, the president, COO, and chief product officer of Service Now, who's here with us in studio in a conversation brought to you by Service Now. Amit, welcome. >> Uh, thanks for having me, Alex. >> So, this is the beginning of a series of four conversations we're going to have uh with Service Now that's really going to tell our audience how a software company handles this moment of AI. And it is a fascinating moment that you are in. Especially, you know, the question is, do you harness the AI? Do you fight it? Will you be displaced? Will you be able to serve your customers in brand new ways? And I think as viewers go through this series, they're really going to understand how a company like Service Now attacks this. Um and I I want to give folks for uh for folks who have uh loose familiarization of service now or don't know it very well just a little bit of a description of what the company is.

>> Well, sure. Uh let me give you a background over service now. Service Now started 22 years ago to automate

a business processes and allow all the employees to get much more productive and efficient. So it's a building a platform to allow companies to really work hard uh through a software evolution and make their business and the processes much more efficient. Yes, that's what we continue to do, >> right? So, service now handles IT operations like IT tickets, customer service, uh customer service requests coming into the company, HR request, this is just the software backbone that consolidates all of these uh and and centralized all of them. Uh market cap is 90 billion plus uh 90% of Fortune 500 companies use Service Now and you handle 100 billion workflows. uh very big company really in the thick of things and I think let's just you know talk about the elephant in the room here we are in a moment where there is a narrative that AI is going to eat software companies like yours where um we're in this sort of it's called the SAS apocalypse where you know why is there a software company providing these services AI will just do it on its own and then therefore you know either we don't need these companies or the customers will be able to come back and you know negotiate better terms because the AI can do something otherwise.

>> Yeah. >> Is that wrong? >> Yeah. I think there's a lot of noise out there no doubt right and people are not able to understand what AI does and how it helps you and where it going to impact you positively or negatively. So it creates a lot of confusion on everybody's mind buyers customers users analysts investors and everything else. So I can understand that unawareness creating that anxiety level higher. The reality is a software company like ours and we have been investing in AI for quite a few years already. So it's not like AI suddenly we woke up and said there's AI. Our products and technology has been evolving over the last many years to be AI first and AI native. So we're using AI as a tailwind to really improve how we deliver new technologies to our customers while keeping the safeguards and the and the guard rails and things like that so customers don't land up having issues around security or compliance or audit and things like that. Right? So today enterprise customers are very different than consumers and what what happens when people talk about AI today you know in consumer world you can just go to different web website and say I'm using somebody else's product enterprises don't work that way there hundreds of years of technology which they've built out over time they've taken a lot of uh new products and investing into it and integrating into the existing environments and they need the business to run and efficiently and properly without having errors AI doesn't guarantee you answers I mean I think you had Mark Cuban last week I believe on your podcast and he just tweet had a a statement on X yesterday talking about like AI every question you ask AI you get different answers >> right >> so imagine if you are doing your financial reports and if you get a different number every time would you any investor believe your results so just taking AI by itself is not going to solve the problem you have to bring AI with the guardrails the harness the enterprise domain understanding how everything connects together how it works to really make it much more efficient and usable. So bringing the probabilistic nature of AI to deterministic nature of workflows what we've been building for many years and bringing those two things together can change be a game changer and then be how you monitor and manage it because the AI agents which you're talking about nowadays are changing the identity their access their ability to do things every five few seconds. So you need a lot of things around something we call AI control tower to really have visibility control observability and cost control around it. so that you have full idea of what's going on. So a lot of these technologies are required. So people I think are misunderstanding that AI will take out all the software companies. I'm sure there's some some some software companies just like with any uh transformation happening in the technology will have a problem, right?

Which happened during cloud which happened during web and that will happen with AI. But companies who

are going to harness the value of the new technology and bringing it into the products can really accelerate the business. Look at our numbers. Our business is growing at 20 plus%. Our free cash flow margins are at 35%. Our op margin at 32%. And we have guided every time beat and raised our guidance and consensus in the market. So look at looking at results the value you create and the customer validation and you at this event we have 22,000 people here more than what we had last year. So there's a lot of demand there.

>> So I think there is narrative but you have to differentiate yourself from like what we can do with it. Can we really add value to customers and can we prove it? And that's why we will be the winners. But there will be some losers out there. Sure, why not? >> Yeah. And we're here at Knowledge 26, which is Service Now's flagship event in Las Vegas. So, this is where we're going to be conducting these conversations.

>> Let me debate you on this a little bit. Um, >> so Service Now handles a lot of IT operations. The argument uh that some would make would be all right well you know why will I have to route a conversation into an IT desk if for instance my agent can take control of my computer and fix my problems. So the idea would be that the function actually is transmitted over to the agent and therefore doesn't have to come through a problem so come through a platform like service now the way it has in the past.

>> Yeah. First thing you remember the systems you are touching at the back end probably hundreds most of the enterprise companies have 300 plus systems when an IT request comes in first we already do this thing where you self self-select them right so you can get self-service capabilities using AI so in our products today we something we call employee works you can ask a question in the environment and say we are you wanting some help associated with the IT issue or HR issue and we'll figure out what your issue is and then route it to accordingly to the right kind of systems in the back What we introduced uh this week is something we call AI specialist who are not who are taking over the full human work but doing it with the full security right kind of privileges not lining up wiping out the systems for you but really making sure we solve your problem in very short amount of time but with a lot of the understanding we've had for years there's something called context >> the context is important because you have to not just say I want to do something why you made a decision who made the decision what were the guardrails as well as all historical information site. You can't learn that in 5 seconds.

You have to do that over years and we build that for years. So our ability to fix a problem when somebody needs help is much faster, much cheaper, much better and guaranteed outcome because with AI by itself, the agents doing it themself. We also use agents but we put a lot of harness around it. We put the controls around it. So my outcome with context engine is going to be much better outcome where the customer says you know what I got my answer. I don't have to repeat it again. Many times I've seen AI by itself hit it only 30% times, 40% times the 60% time it fails then somebody has to go and do it again and again and again and there's no guarantee that it'll be right or you might do something wrong or nefarious and go make changes to the system which you're not allowed to. You saw what happened with Pocket OS.

>> What happened? Tell our viewers. >> Pocket OS there's a large travel agency. what they had to they what what they were using cursor and they're using technologies uh with AI agents out there to go and maintain

the codebase and the the system basically wiped out the customer database and the production system in 9 seconds. Now the CEOs out there you can talk to uh them about the issues they're running into where they have to recreate the whole system again.

They don't know who booked what when when are they supposed to support them and there are very lot of examples like that. So you need harness, you need guardrails, you need context. AI is very powerful, very valuable. But just saying that I'll run some agents myself as a desktop and I don't know what they'll end up doing. They have no control. You don't guarantee results. You will have a problem and enterprises cannot afford it with the millions of dollars of losses.

And what is the value of doing it? There software which works. We do this with AI. You're replacing something which is working with something which don't know guaranteeing you anything. And then who will maintain it? See software is not just the idea that I'll run it once and I don't need to evolve it. So who's maintaining the software for you? Who's keeping up with it for you? Who's guaranteeing the results? And when something goes wrong, who you going to call? Your key comp in most of the people have domain about your business.

They don't need to be worrying about running systems and building things and running it because that's not the job. Now if you're taking them away from their day job and doing all these things for saving probably nothing doesn't get you anything right and we've seen that we've done numbers calculations the cost of building everything yourself with all this technology which is changing every 5 seconds is 5x to 10x of what you would buy from us. So once you start doing the ROI the TCO the numbers don't add up for the customers and people are missing those kind of things because they're just thinking that you know what I can go to different browser link in my consumer world and applying it to enterprises I've been in enterprise business for 30 plus years and we gone through multiple technology shift each one has it winners and losers no doubt but it is also you have to be thoughtful about how you approach it as an enterprise customer you can't just rip and replace everything and you have to see the benefit for it what are you getting out of by saying I'm going to have agents do this if there's no ability ability to most of CRO's do not allow you to do it. You don't want to have some random user go and update things inside a system without permission and that agent might land up doing something wrong as well. What happened with Pocket OS if you ask the question you should read the docu the the talk track they ask the agent why did you do this >> apologized profusely.

>> Yeah. No, no, I know I'm not supposed to it but I did it >> right. >> That's it. Like what are you going to do after that? You going to fire the agent? Nothing you can do. You're stuck. >> Right. and your business has gone through a problem. Those are many examples and pocket devices is one of them, right? It's not a question the AI is useful and and we use agents but we put a lot of work on top of it to make it work for us enterprise customers.

This AI specialist so we have this idea of level one support engineer. It's completely AI driven right it can replace everything humans do and we can close a case or resolve an issue in two 20 minutes versus 2 hours but that is guaranteeing you a result. So my cases are going to be resolved 100 most to 100 to 90% of the time. Humans resolve 60 to 70% of the time. >> But I have done a lot of context in it.

I'm not just giving you an AI agent. I'm giving you a full solution. And for a customer, if you talk to any customers today, there's like I want a solution. I'm not trying to do spare part work. I don't want to be rip and replace team. I don't want to build everything from scratch. And if you look at the models nowadays, right, it changes every every few weeks, >> right? But the arg that's the argument is that is that the change isn't that it becomes different. It it gets better.

And so this is where and I was as you're giving this answer, I'm thinking, well, this obviously makes sense. You have domain specific information. You're you're working in secure workflows. You're doing things that you you'd be foolish to trust to a claude code. >> The argument, and this is sort of where and I'm like, so how could anybody think that this cess apocalypse makes sense? And by and large, I don't think it makes sense. And I've been on the record about this, but the the the if I'm trying to get into the minds of those that believe it, what they see is this exponential in techn in technology growth where they're not sure where it will end. Maybe it will go towards AGI or super intelligence. And then if it does, the entirety of software looks different, doesn't it?

>> Yeah. The software is changing. So look at the way we build software and the way we deliver. We using harnessing the power of AI. So it's not like we not we are ignoring the value AI brings but you're combining it with lot of other supporting structures to make sure the business is safe. So AI as you said is moving fast but if you say you know what I will build everything myself I have to keep up with it individually. So my enterprise user having to deal with it like I'm going to build everything right build was always existing build was not like something new came up right we always competed with build versus buy people could buy build software they could build always an ITSM service there's nothing like you can't buy build with software we build with software too right >> so anybody can do it is the ecosystem around it the connectivity the testing around it so when you do this >> are they crazy in thinking that agents can do all that stuff then >> they are by itself 100% right because what you'll land up doing is you have to keep up updating so Your prompts will have to change again when the new version comes out. You have to do a lot of testing again. You have to make sure that it's kind of doing everything you expected.

>> But the AI can't prompt and test and >> no it doesn't. I mean the backward compatibility is missing because the environments are so many so variation. I mean I said this is not like a small systems. If you look at companies, I mean you look at large enterprises, the Fortune 500s. If you look at IT system there, it's not easy to go and just rip and replace all these things and then say suddenly introduce something which doesn't prove itself and then keeping up with it and the backward compat all this stuff becomes very people are underestimating the security part of it.

The compliance look at the amount of time engineering product products in like like ours we spend on compliance. 32% 40% of my cost structure is compliance with different different regulations. There are hundreds of new regulations coming out. Who will do that inside a company when I buy an LLM? LM is yeah I can yeah sure I am compliant. Does it guarantee you that? I don't know. Does it give you all the different support structures around it? Does it pass all the audits? Does it when something goes wrong can you now know how to back re return to the normality before? They would just move on. So I think there's nobody to really manage that for you and then say okay now I'll have hire a lot of engineers to maintain it. Then when you add

up the cost again it goes up beyond what I can provide you because we have people who are domain experts who've been building it for years. I can scale my business without adding incremental cost every time a customer buys from me. But now every customer is going to replace and replicate what I do is going to be costly for them. It just doesn't make sense. So if you talk to any CIO and I think you if you saw the keynote today at the knowledge you had Vishal and Raj from the CEO of FedEx there they were talking about like even if I could do it why would I want to do it Vishal's point is that he's the CIO of FedEx one of the largest logistics and supply chain company there they said I have other things to worry about things which work and I know it proven and they're bringing AI into it why would I want to replace something which is giving me safety risk management and guaranteeing me the right results. I will do I'll use AI for things which I have to build my own proprietary stuff but things which are proven and working well. You partner with the companies who can do that for you.

>> Yeah. And if you try to rip it out and build your own and it doesn't work or you create a pocket OS situation.
>> Yeah. Find a new career. >> Can you afford that? I mean what what will happen to your sharehold stockholders? >> Be crazy to do that. >> So I think that his point is like even if I could do it, what am I getting out of it? Even if I save some money, maybe three half a percent of my overall IT budget, it's not worth it because the business is not about that. The business is growing top line.

>> Yeah. So, let me ask you then about the competitive side of this because it does seem like many companies are driving towards this sort of I think you could describe it as a central system of record with agents that empower people within the company. Companies like Microsoft are doing this, Service Now is doing this, Salesforce is doing this. Is there going to be one winner or can everybody win? >> No, I think the uh with enterprise again I do believe there will be an ecosystem of providers.

>> Okay, >> people are not going to say I will only do one thing with one com everything with one vendor, right? Uh so we interoperate if you look at the way we work we always been this center I would say system of action connecting various system of records and different systems together to allow you to look at east to west across an enterprise. >> So explain that concretely. Basically if you have a business process typically say employee is getting onboarded into a company typically that happens to work uh work day in terms of the system of record then there's be fidelity for say maybe benefits or 401k could be things around your uh travel request and conur so that's 17 18 systems required when employee joins so you need access to them what they do is that they will come to service now and say and on board this employee we would connect all that processes east to west connecting all different systems in making sure the records have been created across all of them. Making sure they have the right access privileges based on the role. If you're in sales, you need different access than you're an engineering. We would understand that policies and then employee gets full capability and day one as they join, they get their laptop, their badge, they get access to all the systems and they're productive. But that requires a lot of orchestration and working between different systems and we've been doing that for years. Now when you look at what we're doing with agentic processes, we're bringing the same mindset making it happen through AI systems but we still need connectivity to all this stuff right so that's what we go east to west going through all this environment running on it could be running on any cloud it could be running with any other large language model underneath the covers all of them can also have AI agents we orchestrate all of that right and our agents and the third party agents can show up on AI control tower so the CIOs or the risk managers can understand what's happening with AI in environment, who's using it, how much am I paying for

it, what AI changes happen, all the kind of vulnerability you might have, can you turn off things when you find an error that is where the control comes in. So that's the world which we east to west looking at across the board and ensuring you have and that means I have to connect into Microsoft 365 agent 365 for identity but the governance happens with us because we can now tell you if this is this AI agent can do this are they doing the right thing otherwise you take away privileges right so that system is pretty involved so that's why we can work we work with anthropic and open AI for large language model Google Microsoft from the perspective of giving identities all the system of record like work days and salesforce to provide their own business processes but the business process is not only contained to that particular system of record they connect into multiple things and that's what we do >> right the values in the orchestration is what you're saying >> and the system of action the actioning part be able to take action right so it's not like just saying I give you the information back I will take the action on your behalf because I know I can safely do it so when I need to make a change in any of the systems service now is doing that for you so humans don't have to go and log into everything agents don't have to worry about whether they have the privileges I can take it away if they don't not supposed to. So I'm providing that scaffolding the harness around it while I'm making sure that work gets done work got done right.

So that is the system of action. We of course the kind of system of record for IT but when we talk about HR, finance, supply chain, customer service, risk and security, all of that actioning is happening with us. Today CISOs for example uh the whole uh CISO community uses service now for breach management. When a incident happens uh how do you solve that incident? What is a triaging? How do you now uh kind of coordinate across multiple people to fix that issue? What is the resolution plan?

Service Now is the number one vendor for doing that now right. So we going it IT CESOS we doing the same thing for HR business partners right when they want to manage employee relationship and the employees have questions they need any resolution if somebody's traveling to China and they need a lap new laptop and a new phone while they want to want to take a PTO we can take that action and update all the systems for you and that's the work we do and we're using AI of course but we're doing it with a guaranteed outcome >> right it's mean it's amazing how long those processes tend to take in companies that are not technology enabled so this could really be a time saver.

>> It's a huge ch time saver saver. >> Can you imagine what would happen in a in a company where people aren't spending like you know people I've done this people have like Monday as their like sort of expenses and PTO like uh application day and then they work Tuesday to Friday. >> Yeah. >> Could you imagine what would happen at a company if they did they could sort of have that all done by a prompt.

>> Yeah, that it would be good but prompt is fine. So we do provide you prompt interface, >> right? >> Yeah. But then what happens after the prompt >> okay >> is the reasoning part the understanding it then taking the action part right so that's that's why we have this architecture we talk about sense decide act and secure bring all of these things together into one place and today most of the providers saying you know what I can understand what you're asking for some of them say I can maybe understand decide for you a lot of them don't do act and they're secure in one platform so our platform that's why it's unique we're bringing all of these things together and people miss a lot of those issues the security and the governance is a huge part. That's why we invested

aggressively in that area. We have AI in a platform. We bring data from various sources and then we have workflows. So we are that's when we talk about competition everybody's doing pieces of it. We're doing all of it end to end while connecting all these things together. And that's why if you look at Jensen uh from Nvidia calls us the enterprise operating system. I mean that's is the direct quote. We are the enterprise operating system and we bring and make it work for you and that solves the problem. And that's why you can't just say, you know, I'll replace it or do it from scratch. There's no value to it because we've been solving those problems and we make it transformational with AI as well. So I bring AI safely to your world while I'm giving you this outcomes. So that I think is a big big value ad for our customers.

>> Let's end by zooming out. Uh you have spent a lot of time watching technology shifts. You've been at Oracle. You were at Google Cloud as Google Cloud was at the beginning of its ascent. uh and now you're here at Service Now you're working on this AI change. Just talk a little bit about how this AI moment compares to previous computing shifts. >> Yeah. No, it's a very good question. I mean I've been through many transformations as you pointed out. I mean client server to web and web to uh cloud and cloud to now AI. I don't think so I've seen anything this fast for sure. Right. It is I think the technology is pretty powerful. uh it is definitely changing how things are done at a very fast pace. So I think the biggest problem for many companies and I think I've seen that with many of my peers inside the industry is keeping up.

>> Yeah. >> And it becomes more like there's so much announcements happening so many new things being introduced. You don't know what applies for you what you want to use what you don't want to use and changes in few seconds again. So that volume of things going on and making sure you put prioritization and take the right capabilities bringing into products in a thoughtful way so that you don't break everybody while you move them fast. So I think the biggest thing has been the speed and the innovation and the volume of investment going in this area. It is definitely a change. It is a huge change and I think uh I am very excited about what we able to do now right the ability to build products faster deliver value to customers faster the technology we can understand a lot of what people are asking for uh but end of the day it's by itself is useless I think that's the problem I have with AI it's a great technology but if you don't bring it into the solution you don't bring it into product instead of just going to row just use that as as just a technology point technology that becomes a problem so You have to really think about it how you use it in the way you do will work. You might change how you work but bring it along instead of saying that everything is AI and non AI.

the world will become AI oriented but it has to be in conjunction with what you want to achieve with it because a lot of people are struggling in terms of where do I want to apply it and I think one of the questions we always get is like hey you want to go from prototyping to production and a lot of people fail with this prototyping world because AI gives you this almost there but when you start now thinking I want to run it in my business >> can't do it >> you can't do it right so that I think is the value people have to bring in and that's what problem I am enjoying solving at service now uh the technologies I've learned before in my life and the work we did at Google of course and all of my partners we want to solve this problem together but I think we have that unique ability to bring some of these things together to make sense for the enterprise be able to sense uh the information be able to make decisions act on it and make sure you do it securely and without that I think it's going to fail >> totally well um it's so great to spend time with you and to get a chance to hear your perspective here uh I think we could both agree that the narratives are out there are just way too blunt And what we like to

do on this show is bring some nuance and understanding to the issues and you've been able to do it for us and help us understand it because you're there on the ground implementing it. So we're going to be here uh at Service Now Knowledge. You're going to see three more videos on the feed. So hopefully by the end you'll really have a full understanding of how AI and software are combining and what changes are going to ensue from that. Amit, great to see you. Thanks so much for coming on the show.

>> Thanks for having me. All right, everybody. Thanks again and we'll see you next time here on the feed.