



I D C A N A L Y S T C O N N E C T I O N



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Digital Transformation: Enabling Strategic Change

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Transformation partners are helping to drive strategic change by reimagining fundamental processes and delivering more flexible technology. Most Canadian organizations are in the early stages of digital transformation maturity. At each stage, Canadian businesses have different priorities and need to consider vendors with specific skills and competencies that address their unique needs.

Establishing a DX roadmap and aligning lines of business and IT is just the starting point. Seeking inputs from technology vendors/partners to balance cost, speed of delivery, and time to value is a necessary next step; as they transform, organizations also need to scale successes and actively manage organizational change. This IDC Analyst Connection answers key questions about how digital transformation is approached at key stages on an organization's DX journey.

The following Q&A session, proposed by AppCentrica, features Jim Westcott, research manager, Application Solutions, at IDC Canada.

Q. How are Canadian organizations approaching their digital transformations?

A. From IDC's perspective, the goal of digital transformation is to be relevant and competitive in the digital economy, and this requires important changes to the DNA of the transforming business. In less than three years, IDC believes that 50% of the Global 2000 will have the majority of their business depend on their ability to create digitally enhanced products, services, and experiences. To successfully create a path for their digital transformation journey, Canadian organizations must start with a realistic assessment of where they are now (current state) and where they want to be (future state). Digital transformation is a response to the changing needs, expectations, and practices of customers based on the evolution and use of emerging technologies. Achieving this transformation begins with setting clear expectations for achieving specific business outcomes such as improved business performance (e.g., increasing revenue, higher profitability), improved business operations (modernizing the technology infrastructure to support customers and employees), and improving customer relationships. With a strong understanding of their business objectives and a clear sense of the current state of their operation, Canadian businesses can develop a transformation strategy that recognizes shorter-term project requirements and strategies that prioritize long-term business benefits. For example, a Canadian financial services firm recently opened an innovation centre designed to create new, innovative digital solutions for customers, employees, and other ecosystem partners.

Three-quarters of Canadian organizations will work with technology partners for digital transformation enablement, according to research from IDC Canada. Partners can provide the technical skills, project management skills, and change management skills necessary to effectively execute the transformation agenda. Addressing these goals successfully will depend on help from external partners. A transformation strategy considers the issues of reorganizing business processes to reduce expenses and increase productivity, improving customer relationships, and rationalizing the need for technology assets and investments. There are also a host of non-technical requirements for effective digital transformation including managing cultural and organizational change. External partners will also bring to bear the technical expertise required to transform and modernize legacy IT systems, and increase the use of digital transformation technologies.

Q. What are the major stages of digital transformation maturity?

- A. Arguably the biggest step for digital transformation is the recognition that becoming a successful digital enterprise requires different operational, managerial, and organizational practices. Digital transformation goes far beyond adopting new or emerging technologies – it requires fundamental changes to the business itself. While most Canadian organizations engaged in digital transformation have taken the necessary first steps, it is still important to keep the transformation agenda on track through ongoing innovation in technology and renewing business processes. External vendors can provide checkpoints to refresh and update the business aspects of digital transformation as the level of sophistication increases.

There are three prominent stages of maturity for businesses undertaking digital transformation: digital explorers, digital players, and digital transformers.

Digital Explorers

Digital explorers are at the beginning of the transformation journey. They may be putting together a long-term business strategy but lack the vision and technical skills necessary to execute digital transformation projects. Creating and implementing a digital mission statement that includes a strategy for effectively aligning and connecting digital initiatives with the enterprise strategy and the requirements of innovative customer experience practices is one of the first steps in becoming a digital enterprise and a key milestone for digital explorers.

Inconsistent digital experiences, basic tech/DX capabilities, execute on isolated project basis, lacking long-term vision

These initiatives should have a meaningful target and measures to act as a starting point for businesses to take a holistic view of the technology and business practices required to become effective digital businesses. External partners can be helpful in defining the digital transformation

roadmap, setting an iterative business and technology implementation strategy.

Digital Players

The next stage of DX maturity is when a business effectively becomes a digital player implementing its DX plan and starting its transformation. At this stage, digital transformation processes are consistent and repeatable and success is measurable in terms of how digital transformation is progressing toward future targets.

Digital players are executing their digital transformation program, often with the help of partners, leveraging expertise and skills not present internally. While there are still some shortcomings in creating a fully realized long-term business transformation strategy, digital players have taken the necessary steps to align business and technology strategies to meet future objectives. At

this stage, technology partners can provide the enablement capabilities and skills to execute digital transformation projects.

Digital Transformers

The next stage of DX maturity produces digitally enabled capabilities that are consistent and coordinated throughout the organization. Digital transformers have developed a long-term vision for digital transformation that is underpinned by a fully aligned business and technology roadmap. The primary characteristic of digital transformers is the merging of business and technology operations to provide exceptional digitally enabled experiences on an ongoing basis.

Consistent digital experiences, business/IT goals are balanced, established near-term vision, not aligned on long-term vision

At this stage technology partners work with customers to set new digital transformation goals and objectives and refine the technology roadmap for long-term adaptation. As businesses reach each new maturity level on their DX journey, digital processes are optimized and align with long-term business goals. Optimized digital businesses strive to reinforce and extend their competitive advantage by embracing continuous innovation.

Q. How can Canadian organizations enable their digital transformation?

A. Enabling digital transformation starts with creating and defining an organization-wide vision and strategy that measures the attainment of short-term and long-term business objectives. Digital transformation projects are based on changing and modernizing the technology foundation of the enterprise, moving away from the limitations of legacy systems. To succeed in the digital transformation era, Canadian organizations must ingrain adaptability and flexibility into their business and technology operations. They should think and act like digital-first enterprises, using advanced technologies and digital platforms and solutions to respond to opportunities with new products and services, thereby creating and retaining customers – the ultimate goal of every enterprise. Businesses that create digitally enabled operational platforms capable of responding to changing customer needs and enhancing organizational agility will set a strong foundation for revenue and profit growth.

Exceptional digital experiences, DX capabilities integrated, business/IT completely aligned, aligned around long-term vision

Becoming digitally enabled also requires the skills and competencies of carefully selected external partners. Transformation partners can help navigate organizations through their transformation initiatives and execute projects that create better digital experiences and platforms to retain customers and improve experiences. External partners also offer an unbiased perspective on conceptualizing digital business operations.

Q. What competencies should you look for in your transformation enablement partner? Why?

A. There are several vendor competencies that are routinely cited by Canadian businesses as important considerations for selection and usage: technical and project expertise, service quality, industry expertise, and the ability to align technology projects with business objectives and manage risk. The digital transformation era will continue to prioritize these vendor capabilities because they consistently contribute to project success. There will be some variations based on the stage of maturity of the buying organizations and their specific requirements. For those beginning their digital transformation journey, selecting vendors with strong design and conceptualization skills, rapid and continuous prototyping, and

strategy/business case development capabilities will be critical in creating a digital transformation program.

For organizations that are currently more digitally mature, vendors have to bring additional competencies to the table that build on the design/strategy competencies and business objectives, including integration services, cloud and mobile development, data and information management, software engineering practices (DevOps), and microservices and services-oriented architecture (SOA) deployment. Organizations at these advanced stages of the digital transformation journey will also require partners that can manage and oversee several concurrent projects across the enterprise, ensuring that project-based objectives are achieved and align to the overall corporate objectives for business and digital transformation.

For long-term digital transformation enablement, organizations should consider taking an iterative approach to strategy and project execution, prioritizing adaptive technology platforms and architectures. Setting attainable objectives at each stage of the digital transformation journey will also ensure that ongoing customer needs are being met.

ABOUT THIS ANALYST

Jim Westcott is a research manager for the Canadian Application Solutions program. In this role, he manages IDC's research on enterprise applications and application services. For the past few years, his research has primarily focused on outsourcing, including global sourcing, transformational BPO, and application outsourcing. From an organizational standpoint, Westcott leads the development and launch of managed services and BPO research initiatives and special studies. In doing so, he works closely with a global team of analysts who support outsourcing research in a broad range of segments, including managed IT services, CRM and customer care, procurement, HR, finance/accounting, learning, and engineering. Westcott provides expert opinion, market research and analysis, competitive intelligence, and consulting to IT services and technology providers. Prior to joining the IDC Canada team, he earned a bachelor degree from the University of Toronto. He also holds a postgraduate diploma in applied research design and methodology.

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