Unlocking The True Value Of Digital Transformation

Modernize your IT Services to tackle rising complexity

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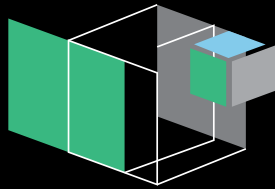
Executive Summary

Digital transformation has been at the top of every IT leaders' agenda for more than a decade. IT leaders recognize the urgency of enabling speed and scale in building the digital capabilities the business needs for improved customer engagement. However, most organizations fall short in making their internal IT processes, systems and people in-line with enabling that speed and scale.

To compound the problem, the rapid adoption of diverse technologies from many different vendors, from multiple clouds, automation systems to digital touchpoints, is making the IT environment ever more complex to handle. Without the right processes and frameworks to optimize and automate the management of this environment, companies will inevitably hinder the effectiveness of their digital transformation.

In October 2019, Tata Consultancy Services commissioned Forrester Consulting to evaluate the role & significance of firms' internal IT services frameworks and process readiness to support a fast rising technology complexity. Forrester conducted an online survey with 100 IT decision-makers across US and Europe and 10 interviews with senior decision makers across business functions to explore this topic. We found that a more pointed focus is required to adapt IT service governance, change management and vendor management processes to the new needs of digital transformation. A more holistic approach to IT services will better support both business and IT stakeholders and unlock the true value of digital transformation.

KEY FINDINGS

› **Business priorities are geared towards speed and innovation.** Organizations recognize that their success depends on building the right engagement and experiences for their customers. A majority (65%) want to focus on improving the experience of the customer and thereby build and expand their digital and innovation capabilities to engage customers more effectively.

› **IT complexity impacts speed of execution.** While companies want to develop and evolve the way they interact with their customer, the complexity of their IT environment is limiting their rate of success. Almost 70% of organizations have more than 100 vendors to manage and are furthering multi cloud adoption. Scaling agile practices in this complex environment is proving extremely difficult.

› **Current processes fall short in multi-vendor management, service governance and change management.** In assessing the maturity of current practices, organizations need to update their vendor management to accommodate a comprehensive view across multiple vendor relationships. Governance frameworks also lack the interfaces with agile & automation required to enable growth.

› **Leaders in digital succeed by embracing a more holistic approach.** Firms that have shown strong digital capabilities differentiate themselves with broader and more holistic engagement, applying equal focus on skillsets, business metrics and upgrading ITSM practices to new needs.

IT processes need to evolve to the new needs of digital transformation

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Business Needs IT To Adapt To The Empowered Digital Customers

As customer preferences become increasingly digital, companies have a shifted focus in their business priorities towards building the right experiences across their digital touchpoints. In building these capabilities, companies need to work on innovative ways of differentiating offerings and center their organization towards the needs of the customer. In surveying decision makers, we found that business priorities are centered around the following:
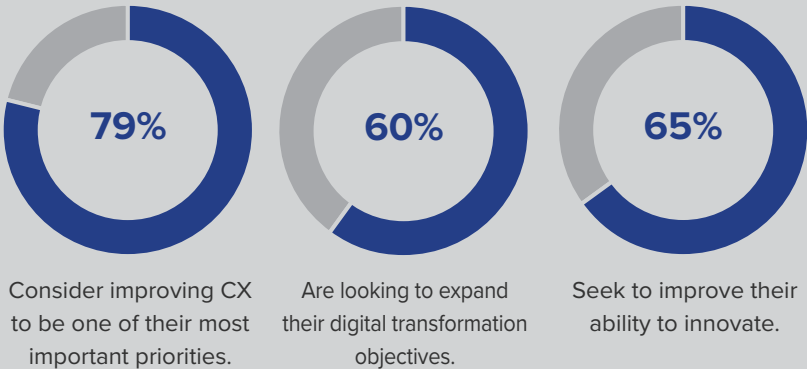
› **Enabling readiness for future customer innovation.** The most important business priority is to improve customer experience, according to 79% of decision makers surveyed. With this customer centricity in mind, the nimbleness of enabling more innovative solutions is required, as 65% have considered the ability to innovate as a high or critical priority as well.

› **Digital transformation aims to reduce the gap with customer's expectations.** More than 60% of respondents consider expanding digital transformation to be a business priority. This will help them better meets the needs of digitally empowered customers, as well as transforming their operations to better respond to their fast changing expectations.

› **Businesses have high expectations of their IT teams to accelerate their transformation.** Decision makers across UK and Europe are keen on moving quickly on their digital transformation roadmap. Expanding their digital capabilities not only requires IT to bring in the right tools and technologies, but also requires them to be ready with their own service capabilities and processes to ensure they can act with the speed and quality of execution that is required of them.

> "Digital transformation has been a long journey. We had to digitize our ways of working . . . with state-of-the-art communication and collaboration tools. Measurability and improving customer satisfaction through digital have been a big project."
>
> *CMO of a global travel services company, UK*

Figure 1

"What are your key business priorities for the coming 12 months?"
(Showing "High" and "Critical priority")

79%

Consider improving CX to be one of their most important priorities.

60%

Are looking to expand their digital transformation objectives.

65%

Seek to improve their ability to innovate.

Digital transformation and innovation are key enablers of customer centricity

Base: 100 respondents across US, Europe and APAC
Source: Forrester Consulting Thought Leadership Program for TCS, December 2019

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IT teams heed the transformation call but face rising challenges

Digital transformation initiatives compel IT to take a central role in enabling the systems and technologies that enable the scale, speed and security that the business needs. In fact the business expects IT teams to:

› **Scale agile processes.** In enabling future-ready digital transformation foundations, decision makers realize the importance of agile processes especially in enabling iterative adjustments and rapid decision-making, at this era of transformation. A significant 42% of decision-makers consider it as part of their top three IT priorities in the immediate term. And 40% have described, they want to see automation and DevOps practices to accelerate value delivery.

› **Build strong security foundations.** An important part of process is also in laying the right security foundations as building better security, risk and compliance practices is an important component of managing the IT landscape for about 41% of the respondents surveyed.

Rising Technology Complexity Puts It Teams In A Bind

IT teams are facing somewhat of a cause and effect conundrum with the way they build their firms' digital architecture. Digital development requires technology investments that can execute the speed and excellence required, however it is these investments that also build the complexity in number of vendors and systems for firms to manage. Such rising complexity will results in limitations in the IT team's ability to drive speed, innovation and security. We expect this complexity to rise since:

› **A multicloud and hybrid environment is inevitable.** A majority of firms (60%) already have their hosting environments on either private or public cloud. Cloud migrations will increase this number as more than a third (36%) are looking to move more than 50% of their workloads to the cloud in the near term. Lack of proper planning creates an hybrid cloud strategy by default which brings more complexity to the IT environment.

› **Niche digital solutions emanate from a myriad of vendors.** To be able to address the unique needs of digital transformation, companies have had to adopt capabilities from various vendors, to address their unique needs. This has in turn, developed into a large vendor landscape for them to manage. On average, 68% of companies manage more than 100 vendors across IT environments.

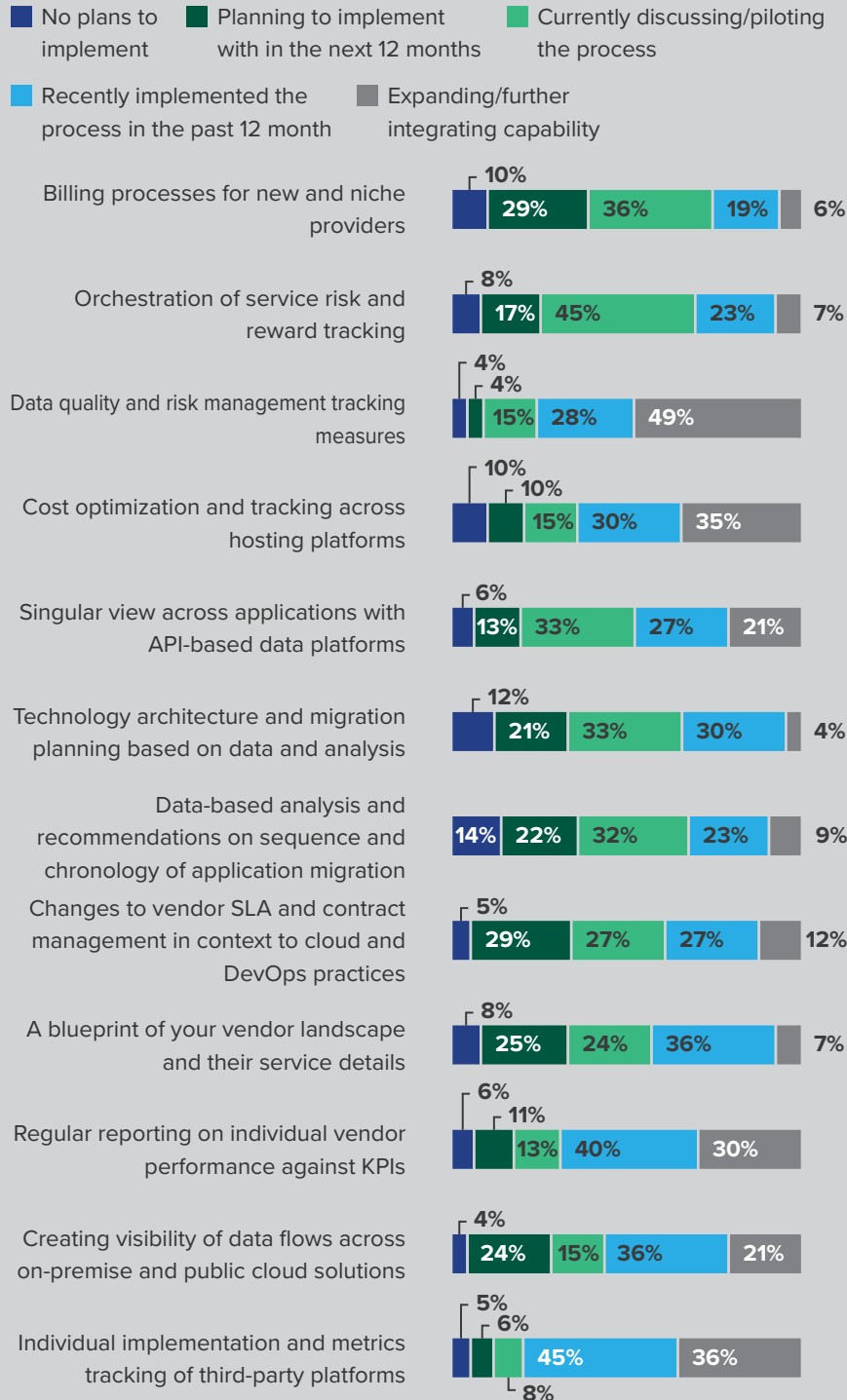Complexity poses a challenge in enabling speed, innovation and security

"For any technology purchase, at the end of the day, it's about the value it brings, rather than just their capabilities. So the CIO needs to know what the business needs/KPIs are."

CMO of a wealth management and mortgage company, US

Figure 2

"What are your firm's current and planned capabilities in managing multiple vendors?"

■ No plans to implement
■ Planning to implement with in the next 12 months
■ Currently discussing/piloting the process
■ Recently implemented the process in the past 12 month
■ Expanding/further integrating capability

Billing processes for new and niche providers
10% | 29% | 36% | 19% | 6%

Orchestration of service risk and reward tracking
8% | 17% | 45% | 23% | 7%

Data quality and risk management tracking measures
4% | 4% | 15% | 28% | 49%

Cost optimization and tracking across hosting platforms
10% | 10% | 15% | 30% | 35%

Singular view across applications with API-based data platforms
6% | 13% | 33% | 27% | 21%

Technology architecture and migration planning based on data and analysis
12% | 21% | 33% | 30% | 4%

Data-based analysis and recommendations on sequence and chronology of application migration
14% | 22% | 32% | 23% | 9%

Changes to vendor SLA and contract management in context to cloud and DevOps practices
5% | 29% | 27% | 27% | 12%

A blueprint of your vendor landscape and their service details
8% | 25% | 24% | 36% | 7%

Regular reporting on individual vendor performance against KPIs
6% | 11% | 13% | 40% | 30%

Creating visibility of data flows across on-premise and public cloud solutions
4% | 24% | 15% | 36% | 21%

Individual implementation and metrics tracking of third-party platforms
5% | 6% | 45% | 36% | 8%

Only 48% have a singular view across applications with API-based platforms

Base: 100 technology decision makers across the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of TCS, March 2020

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Existing IT processes are still unfit for the new digital realities

While a strong focus is put on executing the business' digital transformation roadmap, IT leaders are lagging behind in adapting the firm's IT processes, and management frameworks to fit the new reality introduced by the transformation. In particular, we see that the following processes fall short:

› **Governance processes lack consistency and maturity.** In asking decision makers about their governance priorities, 75% consider data unification across their hosting environments as a key priority, indicating this is still work in progress. Similarly, 70% are looking to build a measurement framework that can establish the foundation for SLA structures. Finally, cloud governance structures and prioritization frameworks are prioritized by more than half (57%), but execution on these aspects is still lagging behind.

› **Vendor management must adapt to the new digital services landscape.** Organizations acknowledge the need of managing a multivendor landscape, especially with the arrival of new niche players. The problem is that most firms are still very traditional in how they manage their vendors. For instance, 70% still report individual vendor performance against KPIs. SLA and contract management of vendors are still in planning stages for more than half (56%) of organizations surveyed. Organizations also need to develop a single view of orchestration across the vendor landscape. Case in point, 62% of decision makers want to see a centralization of service integrators to manage digital services.

› **Change and release management must evolve for future service needs.** Decision makers overwhelmingly understand the importance of change management, given the evolving IT architecture. Eighty three percent say they intend to streamline their focus on change management, especially with the shift to agile principles. Respondents also realize the degree of automation that is required, as 75% consider the automation of change release cycles management to be a high or critical priority. Decision makers also want to see better risk management, as 75% considered communication and co-ordination of risk controls as an important aspect to incorporate in their change and release practices.

› **IT processes need to clearly tie IT performance to business value with automation.** Most firms are busy implementing automation in their IT processes. For instance, 1 in 2 decision makers have implemented automation in data consolidation, and 75% are building auto-configuration in database management. Considering the rising cloud environment, 61% are enabling monitoring across the cloud and on-prem landscape. Despite this move towards more automation, organizations are yet to think strategically about the longevity of their processes in the context of a complex IT future. For instance, 70% of respondents say that they are only piloting end-to-end visibility at this stage.

› **ITSM practice are yet to evolve to new agile needs.** A majority of firms (66%) recognize that their processes and frameworks have to be adapted to an agile and DevOps environment. Nonetheless, only 43% of organizations are considering fully integrated ITSM techniques that adapt to agile, while an even lower 36% have adequately implemented upgrades in their ITSM practices in the past 12 months.

> "The biggest challenge was in managing so many vendors. Many promises [were made], but nothing comes through, and it's difficult to make vendors accountable."
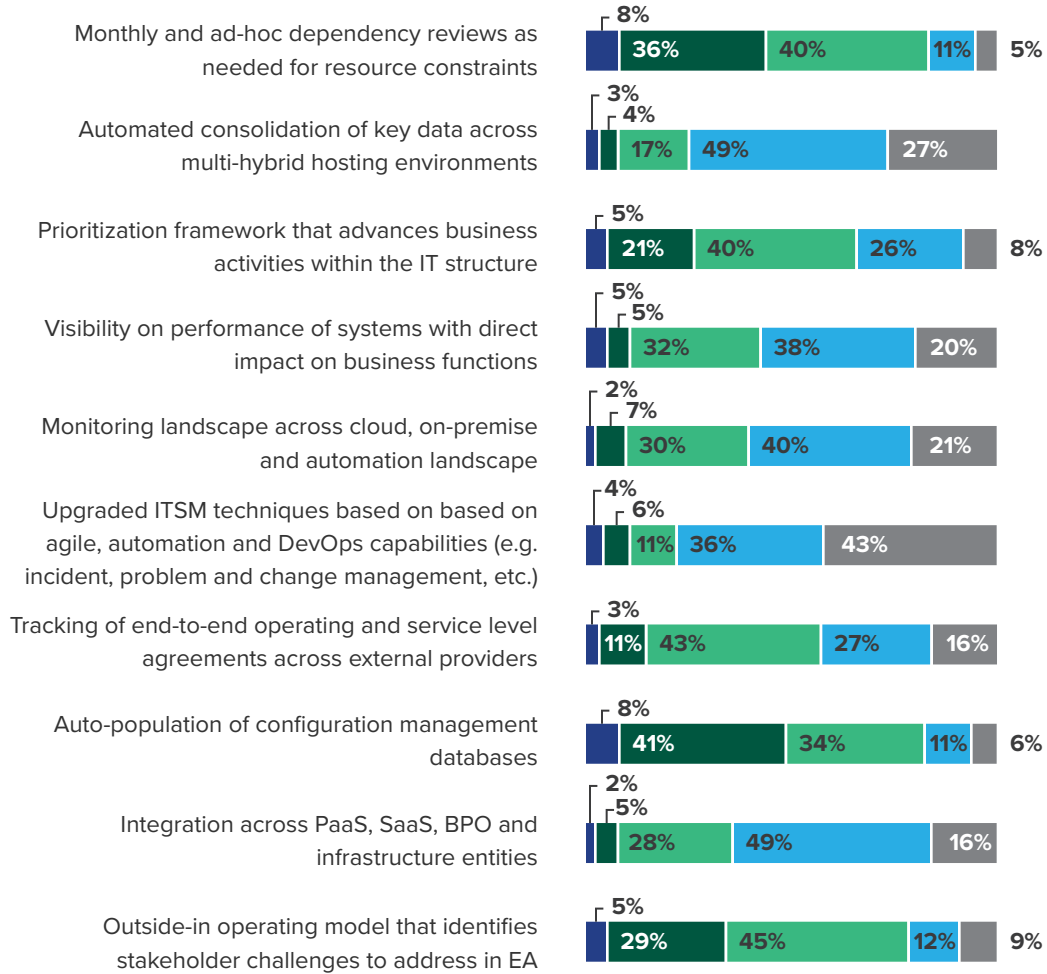>
> *Marketing lead, investment firm, UK and Europe*

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Figure 3

"Which of the following process capabilities does your organization have in place?"

■ No plans to implement   ■ Planning to implement with in the next 12 months   ■ Currently discussing/piloting the process   ■ Recently implemented the process in the past 12 month

■ Fully integrated process in the IT organization

Monthly and ad-hoc dependency reviews as needed for resource constraints — 8% / 36% / 40% / 11% / 5%

Automated consolidation of key data across multi-hybrid hosting environments — 3% / 4% / 17% / 49% / 27%

Prioritization framework that advances business activities within the IT structure — 5% / 21% / 40% / 26% / 8%

Visibility on performance of systems with direct impact on business functions — 5% / 5% / 32% / 38% / 20%

Monitoring landscape across cloud, on-premise and automation landscape — 2% / 7% / 30% / 40% / 21%

Upgraded ITSM techniques based on based on agile, automation and DevOps capabilities (e.g. incident, problem and change management, etc.) — 4% / 6% / 11% / 36% / 43%

Tracking of end-to-end operating and service level agreements across external providers — 3% / 11% / 43% / 27% / 16%

Auto-population of configuration management databases — 8% / 41% / 34% / 11% / 6%

Integration across PaaS, SaaS, BPO and infrastructure entities — 2% / 5% / 28% / 49% / 16%

Outside-in operating model that identifies stakeholder challenges to address in EA — 5% / 29% / 45% / 12% / 9%

STRUCTURAL BARRIERS LIMIT IT TRANSFORMATION

Key hindrances to evolving IT processes to better respond to the digital reality are both organizational and tactical in nature. IT teams need to think about not only building the right prioritization frameworks, but also ensuring the transformation drives structural integration, instead of silos. IT organizations fail to transform their It processes because of:

› **A siloed IT organization.** Sixty nine percent of decision makers say their biggest challenge to implementing future-ready IT practices revolve around siloed IT units (69%). This is inherently generating a lack of understanding of the IT processes across the firm leading to a misalignment between IT and business.

› **A fragmented vendor management organization.** A lack of overall vendor management strategy creates barriers to the implementation of new processes. Almost 72% of firms think they have inaccurate performance reporting structures with their partners. Similarly, 70% say they see conflicting priorities across vendor management teams. Priorities must be placed on building a better governance and centralization of data and vendor performance

Digital Practices: Leaders Prioritize three approaches

Digital transformation leaders - firms who have executed more advanced process capabilities in their IT management – are ahead of the curve because they:

› **Think holistically about IT priorities.** Digital leaders go beyond the technology capabilities, but also ensure their people and processes are aligned to future demands. For instance, 59% of digital leaders ensure skills are aligned to digital transformation objectives, while also aligning IT to strategic business objectives (33%). Given the current post-Covid business uncertainty, leaders need the ability to manage and respond to such unprecedented times in a secure manner.

› **Focus on integration and evolution.** Digital leaders developed an early start to upgrading their ITSM techniques based on agile, automation and DevOps. Fifty eight percent of them have focused on ITSM, compared to the 36% average). Processes also consider an overarching approach, as 87% of the digital leaders have built visibility of systems with a direct impact on business performance, much more than the 34% industry average.

› **Advance their automation and agile process capabilities.** While industry practice on progressive maintenance, recording and change management based on new digital transformation initiatives is apparent, leaders also exhibit automated continuous integration and continuous delivery practices (95%), alongside clear communication and co-ordination of risk management controls (88%).

Leaders have reimagined their service delivery with the right mix of automation, agile and data strategy while putting the right skills and lean ITSM processes in place

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Key Recommendations

Staying ahead with digital transformation is an imperative part of organizations' strategy to catch up with the fast changing needs of their customers. However, for the transformation to take flight, IT decision makers also need to evolve their processes, structure and governance of their IT landscape adequately. Following are four recommendations that IT leaders need to apply to their organization:

Keep your cloud-first architecture a priority as you build new governance models and processes. Firms have acknowledged their move towards hybrid infrastructures by default. They now need to embrace an hybrid cloud strategy by design and evolve their governance models and processes to incorporate the future scale, speed and needs of a cloud-first environment.

Incorporate automation as a central part of your process capabilities. In order for firms to stay ahead of the multi-vendor landscape, and stay ahead of the rate of digital transformation that is required of them, automation in monitoring vendors, security and management, is critical to work at the efficiency required. Ensure that priorities in building process frameworks have automation in mind.

Build frameworks that consider both business and IT requirements. The most successful players in digital transformation, bring a holistic understanding of their business needs, into their IT management ecosystem. Working in frameworks that ensure that IT services and processes incorporate business KPIs is critical for long-term success.

Rethink and re-engage in your IT Services to stay ahead of digital transformation. While technology capabilities that impact the customer are important, the building blocks for digital transformation go beyond product capabilities, and require the right frameworks and partners in your ITSM techniques to ensure that they consistently evolve in the new needs of the digital landscape.

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Appendix A: Methodology

In this study, Forrester surveyed 100 technology decision-makers across US, Europe (Germany, Nordics, France, Benelux, UK) and APAC to evaluate their IT priorities, processes and challenges, especially on their road to agile. This study also included 10 qualitative interviews with business decision makers, across the three regions. The study began in October 2019 and was completed in December 2019.

Appendix B: Demographics

COMPANY REVENUE

$5B+	40%
$2B to $5B	60%

RESPONDENT LEVEL

C-level executive	19%
VP and SVP	21%
Director	44%
Manager	16%

INDUSTRY

BFSI	17%
IT/ITES	15%
Retail	15%
Manufacturing	15%
Healthy (payers)	12%
Utilities	10%
Telco Service Providers	8%
Airlines	8%

REGION

40% US
30% APAC
30% Aurope

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