The days of IT monoliths providing end-to-end solutions are over. Enterprises want to work with firms that have rich technology partner ecosystems, take an open approach to innovation, and can deliver tangible business outcomes tailored to their specific needs.

Next-Generation Services for Digital Transformation: An Enterprise Guide for Prioritization

Digital Transformation is Changing Enterprise Needs

The pace of technology evolution has increased rapidly in the past 10 years, thanks to the widespread adoption of cloud computing models and virtualization technologies. This accelerated pace of change is "the new normal," and enterprises need to adjust to stay competitive. This is fueling investment in digital transformation initiatives where enterprises design and manage their ICT estate to allow them to not only run their essential day-to-day processes, but also experiment with and scale solutions built on new technologies at speed. These abilities rely on the adoption and smooth integration of new tools and infrastructure resources such as public cloud, SaaS, unified communications, IoT, and Big Data analytics into existing ICT environments.

The speed at which technology is evolving now and the prevalence of SaaS products means that this is an ongoing process, and enterprises need to be equipped to handle regular software updates and an "evergreen" model for key applications. Without the right infrastructure, enterprises will simply not be able to reap the rewards these new solutions offer.

For some enterprises this task is overwhelming. Even enterprises with a large and skilled technology team can feel challenged in a world in which IT is the business and the business is IT. Leveraging the expertise, methodologies, and resources of a third-party services firm — such as an infrastructure services firm, systems integrator, or telco — can bring calm to the chaos. But the traditional services model of selling infrastructure and then delivering a layer of consulting, integration, and managed and maintenance services needs to change. Enterprises need services partners to help them evolve and simplify their ICT environment, taking a strategic view of which new digital tools will deliver their desired business outcomes and how to integrate these smoothly into existing operations. To achieve this, enterprises need to work with services firms that:

- Simplify their digital transformation journey as much as possible by providing the right infrastructure platform to support it

- Understand the needs of their core business and can tailor solutions accordingly

- Help reduce the risks of early adoption and vendor lock-in

- Offer more flexible contracts that incorporate digital KPIs such as digital operations, data monetization, and innovation rate to gauge ongoing performance against business goals

Accelerated Innovation is the New Normal

The pace of technology evolution has increased rapidly in recent years, creating a new competitive environment and customer expectations. Indeed, cloud computing, enterprise mobility, AI, and IoT are creating opportunities for enterprises to not only develop and scale new solutions and create stronger client relationships, but to transform their entire business.

Enterprises need to adapt to stay relevant and competitive, making digital transformation a key priority. However, established businesses cannot just replace their legacy ICT infrastructure and solutions, and therefore need to balance investigating, adopting, and integrating new tools and processes into their infrastructure at the same time as supporting existing ones. This challenge is further complicated by the growing trend for software-as-a-service (SaaS) and "evergreen" applications, such as Windows 10 and Office365, that require a certain level of infrastructure and services sophistication to deliver the best results.

This puts enterprises in the difficult situation of needing to both refresh and support existing systems with greater efficiency while transforming their business into an organization that has the skills, processes, and technology to serve as a launchpad for greater levels of operational and business innovation. Knowing what to prioritize in the near term as well as developing a strategy for a digital transformation road map for the future is a major challenge for most enterprises, but one they cannot afford to ignore.

Figure 1

Enterprises Struggle to Keep Up With Accelerated Pace of Technology Change
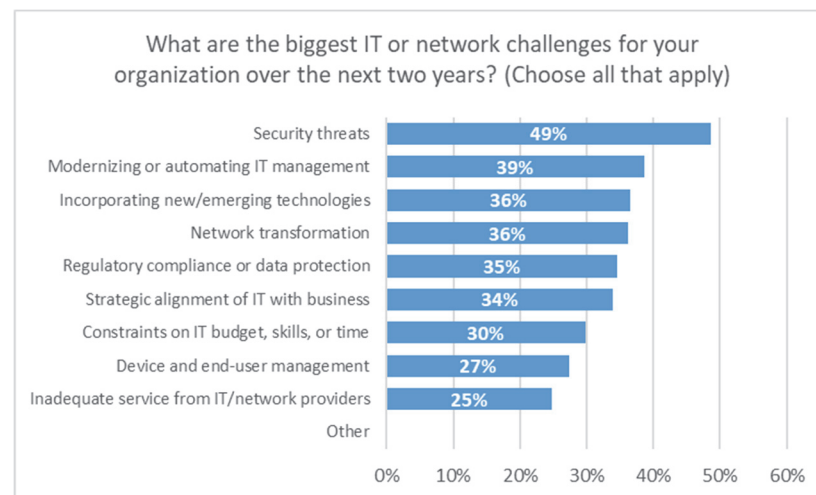
Source: IDC Western Europe Enterprise Communications Survey, 2018 (n = 1,055)

Therefore, enterprises need technology partners to help them evolve and simplify their ICT environment, taking a strategic view of which new digital tools they need, integrating these smoothly into existing operations, and evolving their infrastructure to deliver the best outcomes. This report analyzes key challenges that enterprises need to navigate and the attributes they should prioritize in services firms to help them achieve the best results.

## Having the Right Infrastructure Platform Is Critical for Success

As the ownership of IT assets becomes non-strategic and enterprises look at ways to free up resources from the running of IT operations to fund the creation of new digital services and products, the promises of cloud to unleash innovation through its innate flexibility, scalability, and cost-efficient consumption model continue to fuel its appeal. Indeed, IDC's 2018 *Services Survey* indicates that cloud infrastructure as a service (IaaS) will be the chief new technology investment in the next two years for over a third of European businesses.

However, public cloud is not suitable for every workload and application. Indeed, on-premise infrastructure will remain a significant part of enterprise ICT spending because some countries and vertical markets will always prefer to run certain workloads and store data on-premise. GDPR and security concerns will hinder adoption as many organizations decide to keep or repatriate their mission-critical workloads on-premise. This will lead highly data-sensitive markets (such as Germany) to favor hybrid cloud and hybrid IT strategies, which will require the transformation of traditional datacenter assets into a complex mix of cloud and non-cloud IT environments that must work together seamlessly.

Most EMEA enterprises operate in hybrid and multiple cloud environments, using various SaaS, platform-as-a-service (PaaS), IaaS, and private cloud services in addition to their own on-premise datacenters. As Figure 2 shows, even though the traditional IT market in EMEA is contracting it will remain the largest infrastructure market segment for the next five years.

Figure 2

Traditional IT Will Still Dominate the Infrastructure Market in 2022 Despite the Growth of Cloud
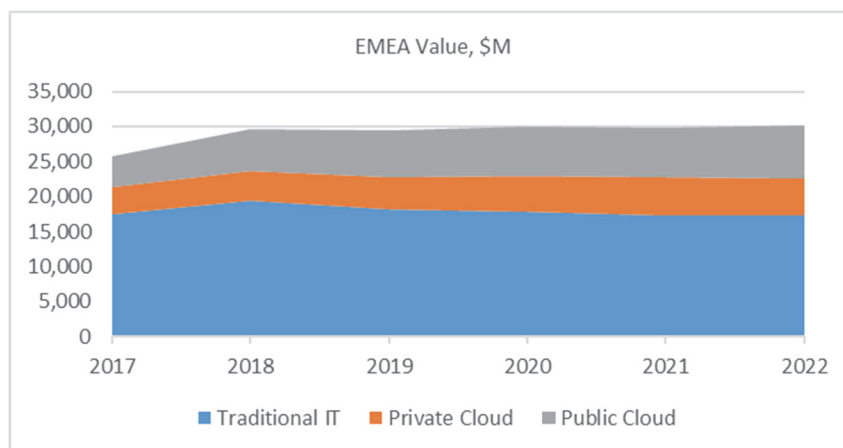
Source: IDC Cloud Infrastructure Database, 2018

This multiple cloud environment is rarely based on a deliberate companywide strategy, meaning the situation quickly becomes expensive and unwieldy to manage, and puts significant stress on the network. As the EMEA infrastructure market matures, enterprises are seeking to take control of their multiple cloud environments by deploying multicloud strategies to help them manage their diverse ICT resources as a single, cohesive infrastructure.

To reap the rewards of digital transformation and remain competitive in this era of faster innovation, enterprises must ensure that they have the right services partner that can guide them through a hybrid infrastructure strategy aligned to their business goals.

In addition, enterprises are getting accustomed to the benefits of public cloud environments, such as pay-as-you-grow consumption models, ease-of-use, and access to a curated set of tools to accelerate the adoption of new technology solutions like Big Data analysis and machine learning. This is putting pressure on infrastructure providers to simplify their products, offer more flexible consumption models, and support the use of new software tools and platforms.

A Fast-Moving, Hybrid World Requires an Evolved Services Partner

The days of IT monoliths providing end-to-end solutions are over. Enterprises want to work with vendors and services firms that have rich technology partner ecosystems, take an open approach to innovation, and can deliver tangible business outcomes tailored to their specific needs.

The rapid rate of technology development and new software releases, combined with the need to use a hybrid ICT infrastructure, is changing the way enterprises want to work with services firms, influencing contract lengths, consumption models, and KPIs. IT service buyers do not want to be locked into long-term contracts (often lasting 10 years or more), which are often inflexible and labor-intensive. Unlike traditional engagements, emerging contract types are increasingly automated with embedded elements of cloud and digital. The flexibility provided by smaller and shorter contracts makes them an attractive alternative to traditional ones. The increasingly digital enterprise also requires success metrics to be aligned with digital service delivery models. Digital KPIs encompassing digital operations, data monetization, and innovation rate are used by digitally advanced businesses to gauge ongoing performance against business goals.

This means that the traditional services model of selling infrastructure and then delivering a layer of consulting, integration, and managed and maintenance services needs to change. Enterprises need services partners to help them evolve and simplify their ICT environment, taking a strategic view of which new digital tools will deliver their desired business outcomes, and how to integrate these securely into existing operations with minimum disruption to the business.

Essential Guidance: An IDC Checklist for Key Service Firm Capabilities for Digital Transformation Success

To achieve this, enterprises need to work with services firms that:

- Can simplify their digital transformation journey as much as possible. Introducing new technology hardware or software to an existing environment is a time-consuming, risky, and costly process. As enterprises now need to move from trial to deployment of new technologies and tools faster than before, professional services such as strategic assessments and design, configuration, testing, risk mitigation, and integration will be increasingly attractive to enterprises.

- Are prepared to discuss dynamics across the architecture — workplace, server, storage, and networking — and articulate new technologies, operating models, challenges, and benefits aligned with each element of the architecture.

- Offer a full array of security capabilities. Enterprises look for service providers that can protect their digital infrastructure across both their hybrid IT and multi clouds. Expertise needs to be comprehensive and span from the consulting and design phase of how to build a secure architecture, to managed security services (testing and upgrade of security software), to more advanced capabilities (cloud access security, DDoS threat management, etc.).

- Understand the needs of their core business and can tailor solutions accordingly. Companies should prioritize working with services firms that understand and can demonstrate experience and expertise with their vertical industry and can be supported by the right partner ecosystem to deliver transformative solutions.

- Help reduce the risk of early adoption. Enterprise fear of technology and vendor lock-in is driving demand for interoperability across hardware and software. Enterprises will seek to work with providers that offer a wide range of current solutions and are committed to staying at the cutting edge of the market while integrating new technologies with minimal disruption to existing solutions as they become available.

- Offer flexible, cost-effective contracts focused on business outcomes. Traditional long-term outsourcing deals are gradually morphing into smaller, shorter contracts, governed by digital KPIs such as data monetization and innovation targets. IDC predicts that by 2020, more than 25% of organizations' spending will be related to outcome-based models, as the need for agility, DevOps, and faster time to delivery has transformed the responsibility of service providers, which are becoming increasingly accountable for the outcome of the engagement.

- Provide knowledge transfer. Work with a services firm that not only has the expertise to deploy solutions but also has a defined methodology to equip teams with the right skills and processes to effectively leverage the new solution.

Conclusion

To reap the rewards of digital transformation and remain competitive in this era of faster innovation, enterprises must ensure that they have the right services partner that can guide them through a hybrid infrastructure strategy aligned to their business goals. Because ICT infrastructure itself is moving fast, enterprises will benefit from working with third-party services firms that have a deep understanding of ICT infrastructure and can develop solutions tailored to the enterprise's unique needs. Enterprises should prioritize working with services firms that will simplify their digital transformation journey, reduce the risk of innovation, and deliver business outcomes in a cost-effective and flexible way.

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