



I D C E X E C U T I V E I N S I G H T S

A Roadmap to the Dynamic Enterprise

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INTRODUCTION


One of the major challenges for organisations today, is to deal with constant change emerging not just from evolving technology but also from changing customer wants and needs. The result is – it is no longer viable to have traditional strategic business plans with an outlook for three to five years. What is now required is a more fluid approach that stresses the ability to react quickly and with agility to changes in the digital landscape. And this requires enterprises to be dynamic to be able to leverage digital solutions to solve traditional business problems.

Digital Transformation (DX) and disruption is a given in most industries and every organisation today faces the fear of being disrupted from a relatively new company/start up that has managed to break traditional boundaries by creating new business models by successfully leveraging digital technologies. Organisations' desire to be dynamic comes with its own set of challenges as they have to keep running their existing business while creating new digitally enabled ones. To successfully transform as a "dynamic enterprise" the role of CIOs within these organisations must also evolve as they craft a vision for their enterprise to create a forward looking business agenda that takes future ecosystem change into account while simultaneously having to manage business as usual. In addition, it also requires IT organisations and business stakeholders to collaborate and identify how technology can be leveraged to achieve business outcomes.

DIGITAL DISRUPTION IS REAL! – *IDC predicts that by 2017, 60% of APAC top 1000 organisations will have DX at the centre of their strategy*

Enabled by the 3rd Platform technologies of social, mobility, analytics, and cloud, DX represents an opportunity for companies to redefine their customers' experience and achieve new levels of enterprise productivity. As the list of organisations that failed to transform and reached obsolescence increases, there is tremendous pressure on organisations to transform and be dynamic. Digital disruption is real and IDC predicts that a third of industry leaders will be disrupted by 2018.

3rd platform changes in infrastructure capability have enabled businesses to deliver IT at an unprecedented velocity, making it possible for them to rapidly evolve from being record custodians to



In the digital age, a single bad customer experience can hamper several years of relationship. Organisations are placing customer experience before everything else.

being business information providers. This new paradigm – which allows the transmission, storage and processing of immense amounts of data – has led to the delivery of personalised, relevant and actionable products to customers, thus giving dynamic enterprises a measurable competitive edge in the marketplace. A recent study completed by IDC across thirteen countries in Asia Pacific has shown that enterprises who have embraced digital transformations are 26% more profitable than their peers.

In the digital age, a single bad customer experience can hamper several years of relationship. As such, organisations are putting forward customer experience before everything else as they target to attract and retain customers, while expanding into new markets and increasing revenues and profits. IDC's recent 2016 C-Suite survey affirms this observation – where customer experience and engagement have been rated as the top 2 business priority for 2016, bumping up 6 positions from the 2015 IDC C-Suite survey. (See figure 1 below).

FIGURE 1

Top Business Priorities



Source: IDC Asia/Pacific C-Suite Barometer Research 2016 (N = 1,472)

A great example of improving customer experience in the healthcare industry is Fortis. Fortis wanted to deliver better patient healthcare through more accurate diagnosis by streamlining processes and dramatically improving their productivity. The healthcare provider aims to deliver one consistent customer experience irrespective of the patient’s location. A single view of the customer based on centralised access to patient’s customer healthcare records as well as radiology images minimising errors and dramatically improving agility in case of emergencies.

However, customer experience is only one dimension of DX and true dynamic enterprises will need to focus on multiple dimensions of DX that comprises workforce, leadership, information technology and operating model (business model/process changes) among others. CIOs and IT organisations have a huge role in aiding and strategising the DX vision for their company by harnessing digital technologies. Realising this vision will require IT leaders and business stakeholders to coordinate

activities and come up with a strategy for innovation that will see them protecting business' viability while fully exploring the potential of technology in their transformation agenda.

REALISING THE TRANSFORMATION TO A DYNAMIC ENTERPRISE

Organisations need to accept that they will be disrupted at some stage. As a starting point, organisations will need to expand their focus from disrupting competitors to focus on maximising opportunities to improve customer experience. Organisations' desire to be dynamic is often impeded by its existing structures, people and processes. We have observed that new technology can deliver new solutions at scale in a fraction of the time compared to traditional technology. The business processes however, have not evolved to keep pace with the technology. For example – spinning up a new server can be done in a matter of minutes yet the procurement process may take 6 weeks or more.

Hence, organisations will require to challenge the existing status quo of products, services, processes and customer interactions and decide on the magnitude of disruption they want to create. Identifying the amount of internal disruption depends on the organisation's appetite for risk and therefore their approach – of siloed initiatives vs big bang initiatives.

Start Small – Building the future in incremental steps

It is important to note that irrespective of the magnitude of the initiatives it always starts with small steps. One good example of a company that has managed to disrupt by setting up a big vision and executing the same in simple steps is Amazon. The once book company, has now managed to be the world's largest IaaS provider. The company has been successful in leveraging digitally enabled products and services to first expand itself into an ecommerce business and from there, to a provider of cloud services with an ever expanding partner ecosystem.

The dynamic approach to the enterprise requires engagement with both the lines of business and IT to drive the evolution of critical components of the digital environment. Making the business case to replace an existing network, to upgrade applications that seem to perform adequately can be a challenge for IT, who themselves may see no technical fault in their current systems. However, succeeding in an environment of constant change requires your systems to be flexible, scalable and agile – in other words, be more dynamic. While ongoing hype around DX may force organisations to jump onto the digital bandwagon without a strategic plan, IDC recommends that organisations layout a clear roadmap for their digital initiatives.

Establish a Vision for your "Dynamic Enterprise" Goal

Having arrived at the conclusion that to be a dynamic enterprise is not a choice but a mandate in the digital age, establishing a vision to achieve this goal requires IT leaders and business stakeholders to collaborate and create a viable enterprise wide vision. A great example of having a strong digital vision is Air New Zealand. The airline introduced a new role of Chief Digital Officer (CDO) and established an organisation wide vision to leverage digital technologies to address customer pain points and drive innovation. Through its mobile platform and successful leveraging of data and analytics platform, the company has a complete view of the customer and therefore is well positioned to address customer demands.

As demonstrated by the previous examples, early involvement of key business stakeholders in the transformation agenda creates an effective team that leverages diverse perspectives arising from different business disciplines while overcoming cross business barriers. While traditional hierarchical organisation structures have only included senior executives in the planning process, employees on the customer front lines in particular represent a virtually untapped source of ideas for improving products and services.

While an internal understanding of the company is important to any transformation project, it is also inherent that they understand how the company communicates internally as well as externally with its customers. They must also account for the effect which the external ecosystem of markets, changing customer needs, competition, and industry regulations will have on their operations. In order for this vision to sustain it is vital that it is embedded into the culture and the business/operational model of the enterprise.

Reducing the Associated Risks – IDC predicts that by 2018, 70% of DX initiatives will fail

As part of their vision, IT organisations and business leaders also need to assess the risk factors and



Setting out the vision requires clear understanding of the organisation's current strategy, culture, internal talent, strengths, weaknesses, existing technology landscape and future aspirations

the effective way to mitigate them. It is worthwhile noting that transitioning into a dynamic enterprise not only requires different style of IT management but also the risks involved and the chances of failure are higher than the traditional IT projects. This is because dynamic enterprises aim at solving business problems by focussing on continuous innovation and integration.

To be truly dynamic, organisations need to assess their current business model and understand if they are ready for

transition. It is important to realise that while digital initiatives are risky, the failure of not transitioning is even riskier. Consider the example of Blockbuster - that was too late to realise the risks of not transitioning until it was uprooted by Netflix. Blockbuster's bankruptcy was not only a result of competition from Netflix's online model but also from its own failed business model - based on late fees supporting its network of stores. Therefore, it is vital for organisations to plan for transition by assessing the culture, talent, leadership, organisational readiness, value to customer as well as the operating model of the business.

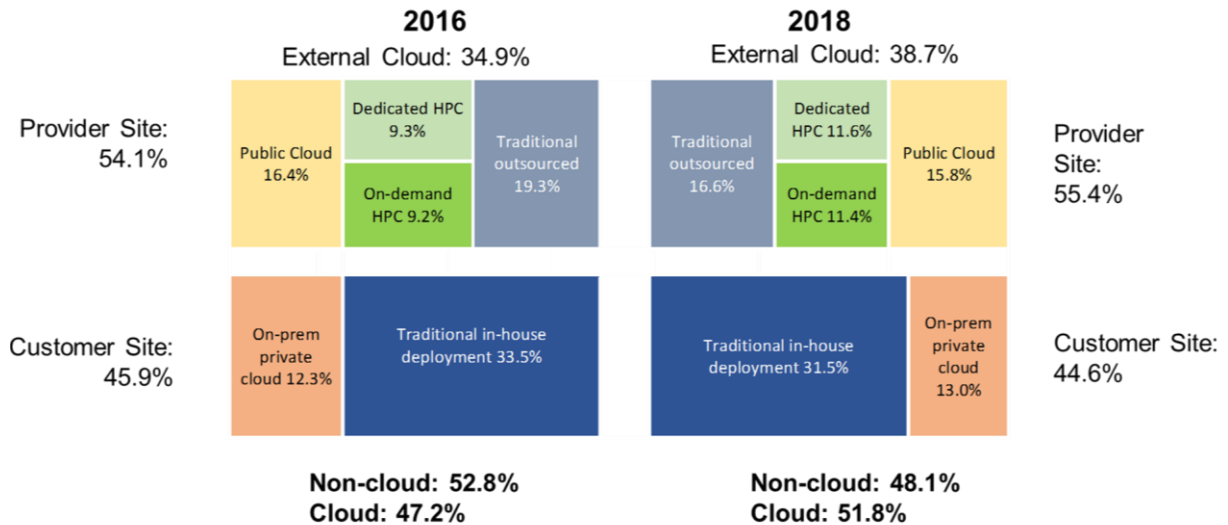
Cloud, the Underpinning Platform of a Dynamic Enterprise – By 2018, over half of enterprises' IT infrastructure and software investments will be cloud based, reaching 60-70% by 2020

Competing in the digital age requires organisations to be flexible, scalable and more agile. Adopting a hybrid cloud model is a common method of achieving this, but it's not just about cost reduction, although that could be one of the business metrics used to define success. The IDC CloudView survey for 2016 indicates a strong shift to cloud spending and also highlights that most organisations are investing in four different types of cloud deployment model (see Figure 2).

In addition to flexibility, scalability and agility, adoption of cloud also enables resource and cost optimisation. In a time where organisations are strained by decreasing IT budgets, these cost savings allow them to invest in more digital initiatives that not only bring increased efficiency and productivity but also directly impact customer experience thereby driving customer satisfaction.

FIGURE 2

IT Investment Intentions, 2016 and 2018



Source: IDC Worldwide CloudView Survey 2016, N=200 for Australia

Speed and quality of services are sustainable competitive advantages that hybrid cloud models can offer users when deployed properly. These are two business characteristics that are difficult to replicate. In addition, flexibility and agility, cost reduction and avoidance, and improved compliance and security are also often cited as additional business metrics for Hybrid cloud projects.

A Hybrid cloud offers an opportunity to integrate certain business and process data, both proprietary and non-proprietary. Technology integrations can span multiple business functions, from across IT (service, operations management, network, portal, security, finance and procurement) to billing, marketing and sales (customer data, response time, and experience). Executives must understand the types of integration, and the value of the integrations. For example, API integrations often lead to a plethora of value across application delivery as it relates to security, availability, and performance metrics.

3rd Platform will Change the Skills for 95% of IT Roles in the Next Three to Five Years

The transformation of an organisation by effective use of technology to solve business problems requires people with technology skills that can speak the language of the business. The skills required are different from the past and are hard to find. As such, organisations are faced with two choices – either to compete in the market or cultivate the talent in house. In addition, organisations have to deal with a multigenerational workforce. While the millennials may be more qualified in terms of technology, designing systems that can be used by customers across generations as well as integrating them with minimum disruption will need insights from older IT/business professionals. Truly dynamic enterprises will be the ones that are able to leverage the capabilities of the multigenerational workforce.

IDC's recent 2016 IT services survey results illustrate that IT staff retention and training is the top most priority for IT organisations in Australia. The complexity of digital initiatives as well as the skills

gaps will necessitate organisations to engage with external partners – that are better placed to address the business/technology requirements.

ESSENTIAL GUIDANCE

A truly dynamic enterprise is one which fuses all of today's cutting-edge digital elements to foster fundamental organisational change and drive efficiency and productivity, thus delivering on two of the three items demanded by the C-Suite – expanded share of wallet and improved employee productivity.

Managing the cost of this transformation and aligning elements of it to meet the critical demands of the business requires development of an overall transformation strategy. Such a strategy enables the enterprise to comprehend the overall value derived from such a change and then decide on the following priorities:

- **Plan for the risks.** While digital initiatives have inherent risks, they can be managed by proper vision and planning. Not pursuing digital initiatives because of the risks involved is not a choice and may lead to irrelevance of the entire organisation.
- **Understand the value of going digital.** Is it in market, sales or the automation of operations? Is it to be derived from a combination of all three?
- **Prioritise initiatives against value.** As there are always too many things to do in the digital portfolio, the ability to focus on the ones that count is critical. Ability to measure the value of these initiatives based on business outcomes is crucial. The business outcomes should be reflective of the scope, speed, and scale of digital initiatives.
- **Describe the timeframe for realising value.** Unless a clear timeframe is defined, it becomes next to impossible to describe the value of being dynamic. Obviously, shorter timeframes are better, so choosing initiatives at a pilot or proof of concept level allows for the demonstration of value without compromising design, security and implementation constraints.
- Determine how these initiatives will play to organisation's strengths.
- Determine the value delivered to customer.
- Engage with external partners that can help you to achieve your business objectives.

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