



Digital Transformation for Sustainable Resilience

Lessons for Scaling Digital Transformation in 2021

February 25, 2021

Live Tweeting #EGAnalyst

Introductions



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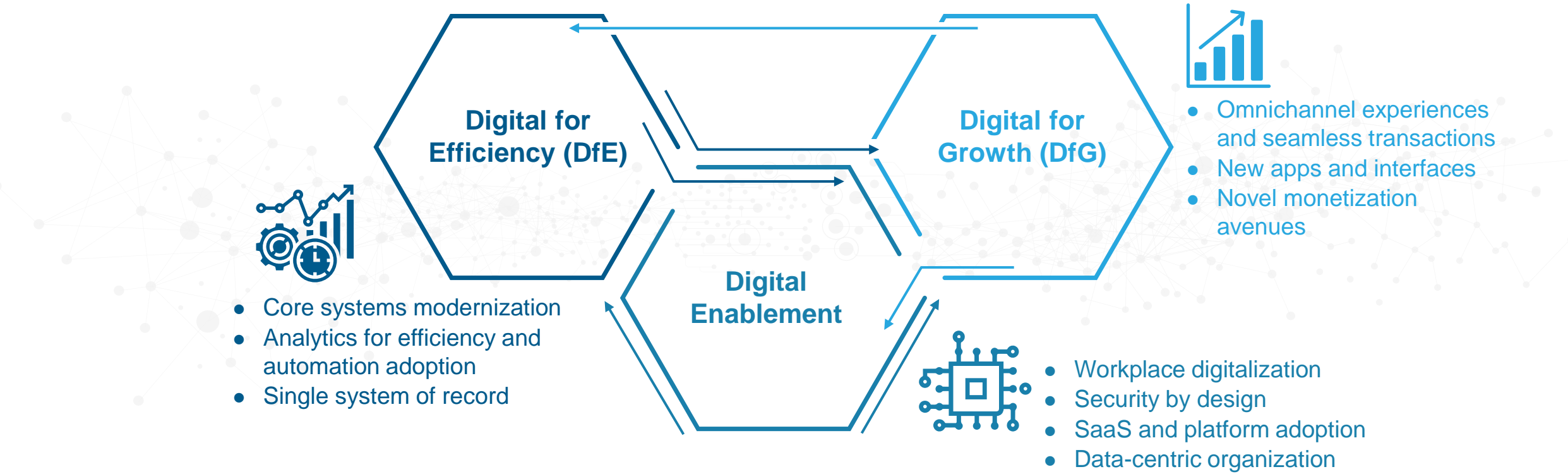
Discussion points for today


State of digital transformation amid the pandemic

How can you transform @ scale post pandemic

 Q&A

We believe there are two models of digital transformation underpinned by a robust foundation for enablement



 Culture and organization design

 Governance and processes

 Talent and change management

How do you feel about your digital transformation spend in 2021?

1. Reduce by 20% or more – **0%**
2. Reduce between 11-20% - **4%**
3. Reduce between 0-10% - **2%**
4. Will remain flat (same as 2020) – **11%**
5. Increase between 0-10% - **31%**
6. Increase between 11-20% - **27%**
7. Increase between 21-50% - **20%**
8. Increase by 51% or more – **4%**

2021


2020

2019

Radical digital transformation has resulted in new business models for tremendous value creation

BBVA 'Proptech' and banking: A new ecosystem for a better experience when looking for a home

Español



HOUSING | 26 Feb 2018

'Proptech' and banking: A new ecosystem for a better experience when looking for a home

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Currently available to Jurong residents only. [Learn more](#) about switching

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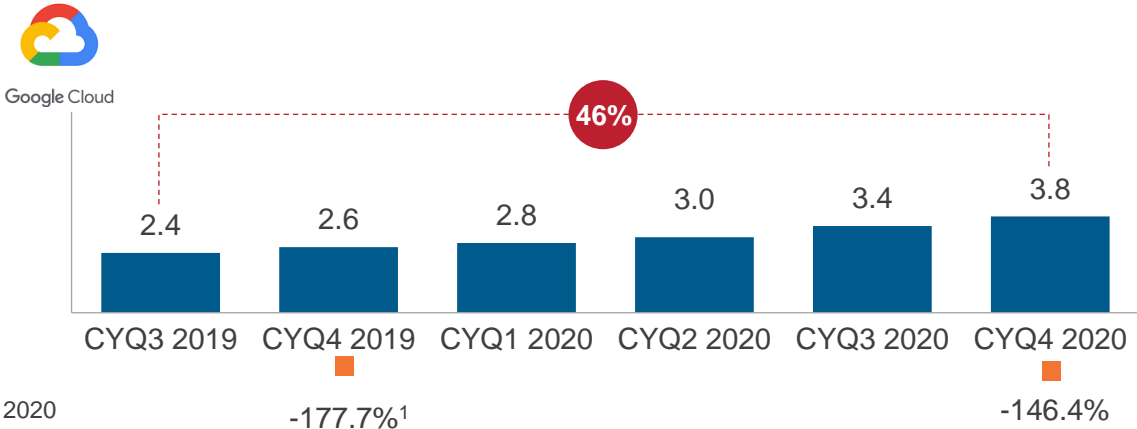
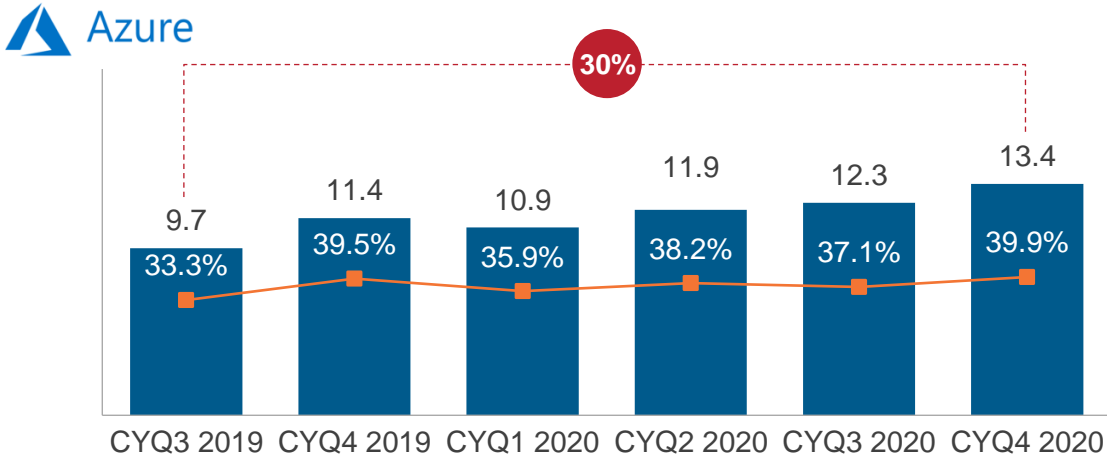
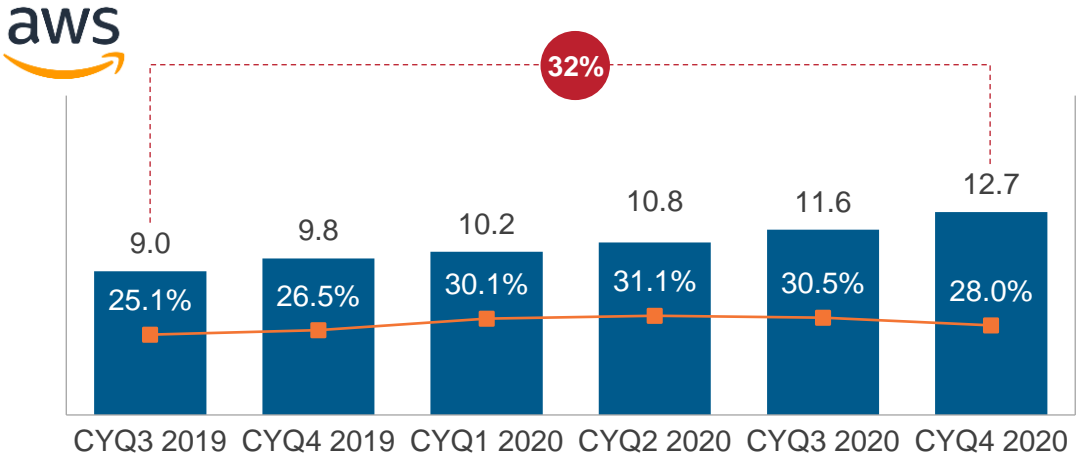
Switch electricity retailers* with DBS in 3 easy steps

- **1. Search**
Search and compare plans from participating retailers that suit your electricity needs.
[View participating retailers](#)
- **2. Switch**
Pick a plan and apply on digibank. Choose to pay with GIRO.
- **3. Save**
Once the switch is done, you can look forward to your selected electricity plan provided by your new retailer!

As a result, cloud platforms are on a hyper-growth path to help clients realize the value from digital investments

Quarterly revenue and operating margin
 CYQ3 2019-CYQ4 2020; revenue in US\$ billion, operating margin in %

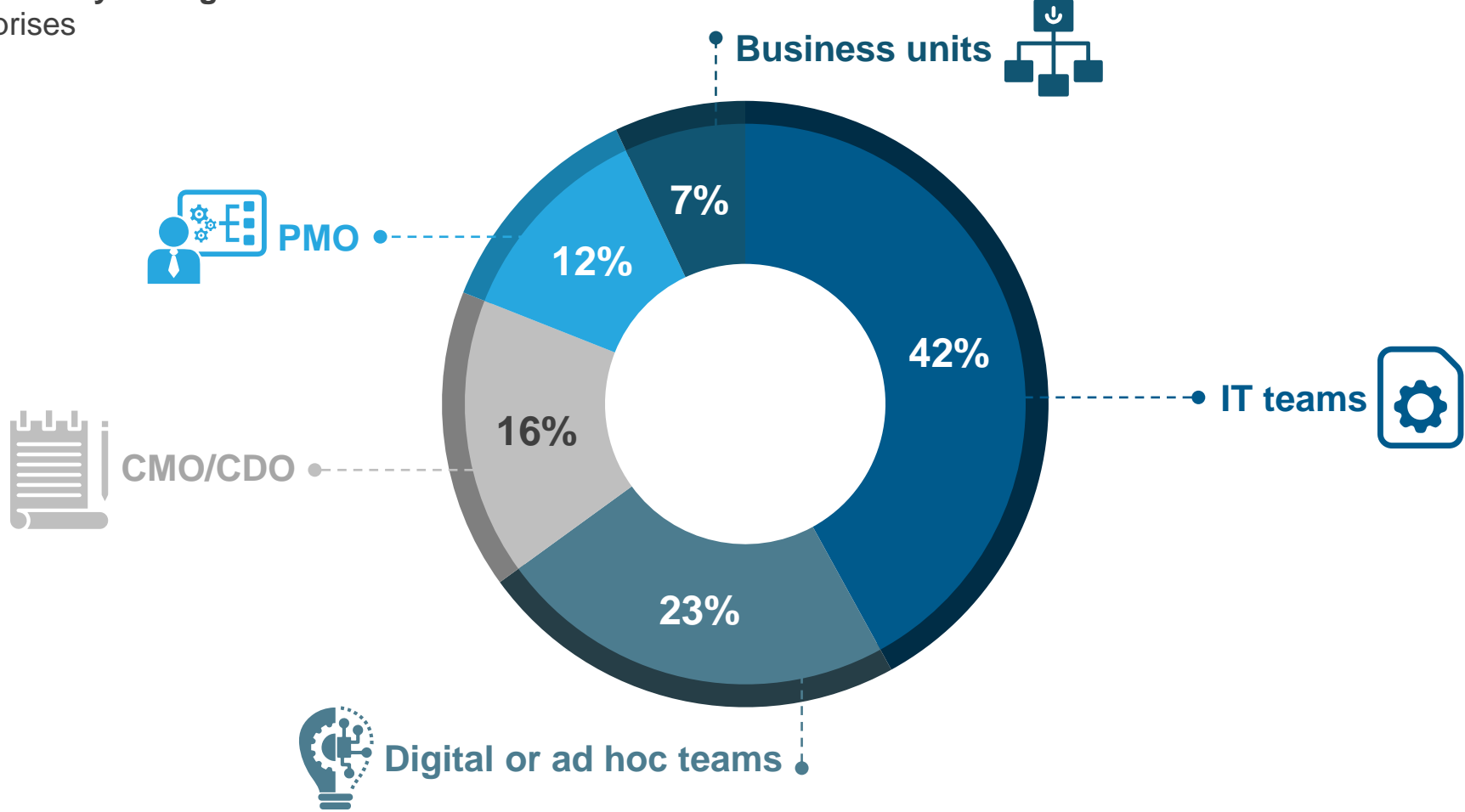
■ Quarterly revenue ■ Operating margin ● X% CAGR



¹ Started declaring annual margins starting CYQ4 2020
 Source: Annual reports, SEC filings, financial disclosures

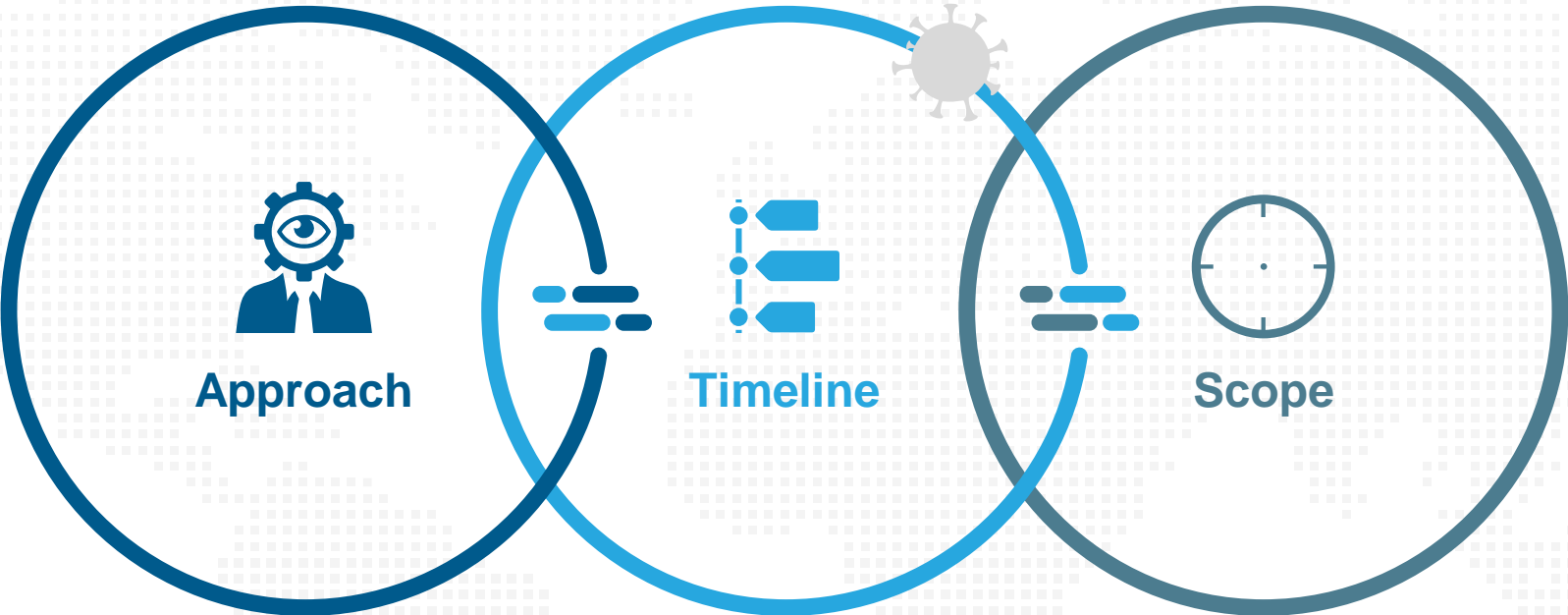
Pre-pandemic, enterprises' digital transformation funding was fragmented, which is seeing rapid centralization

Decision-making authority for digital initiatives
Percentage of enterprises



Source: Everest Group's research with 180+ CXOs / business heads with large enterprises (>US\$1 billion revenues)

What does digital transformation look like in the era of COVID-19 and beyond?

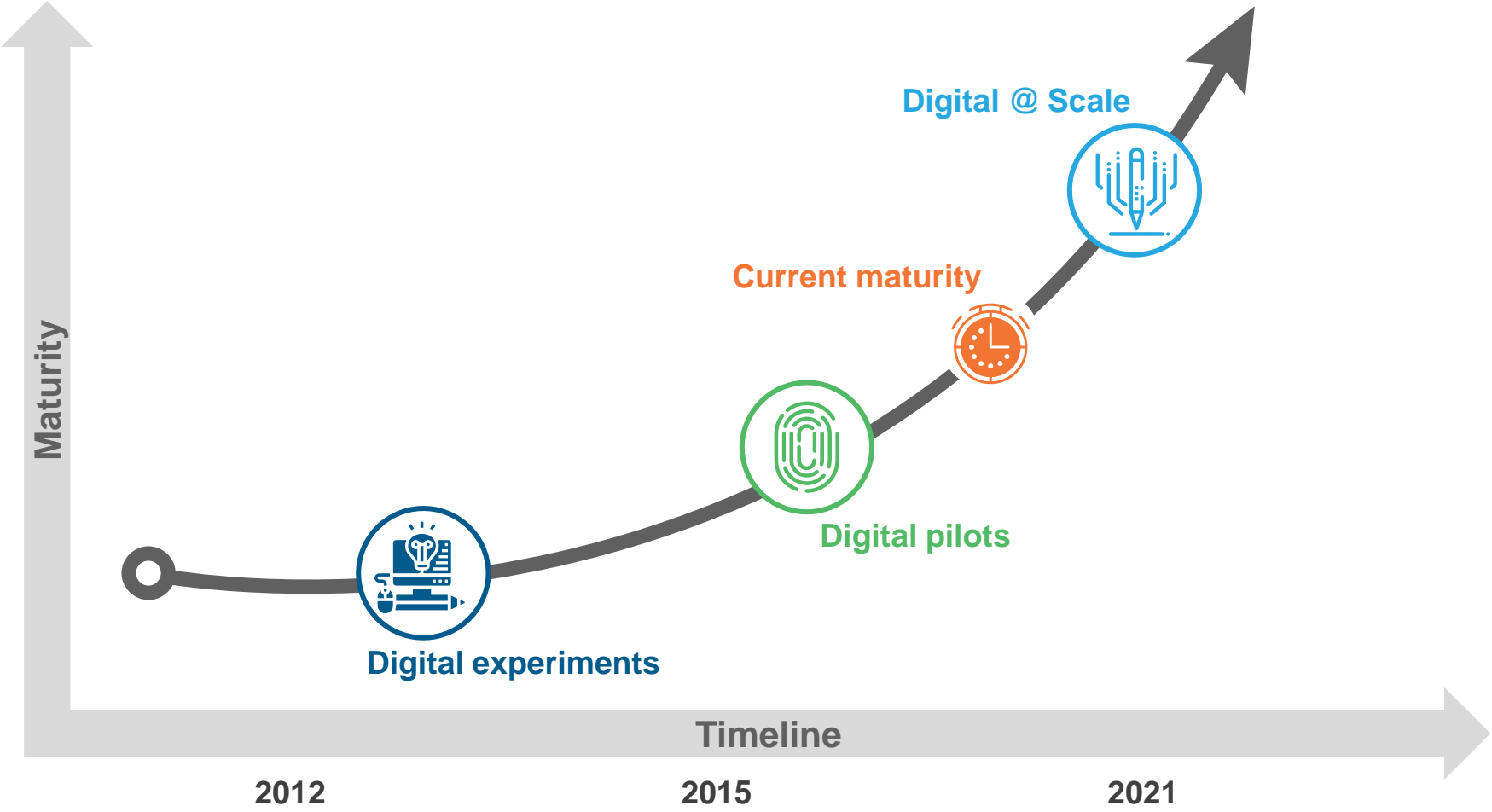


No single best transformation model – some evolution and some rip and replace; some standalone and some integrated solutions

Shorter transformation timelines – moving from years and months to weeks and days

All aspects of business impacted – not only IT, but also sales, operations, and HR

Evolution of enterprise digital transformation journey



Digital gets a seat at the board



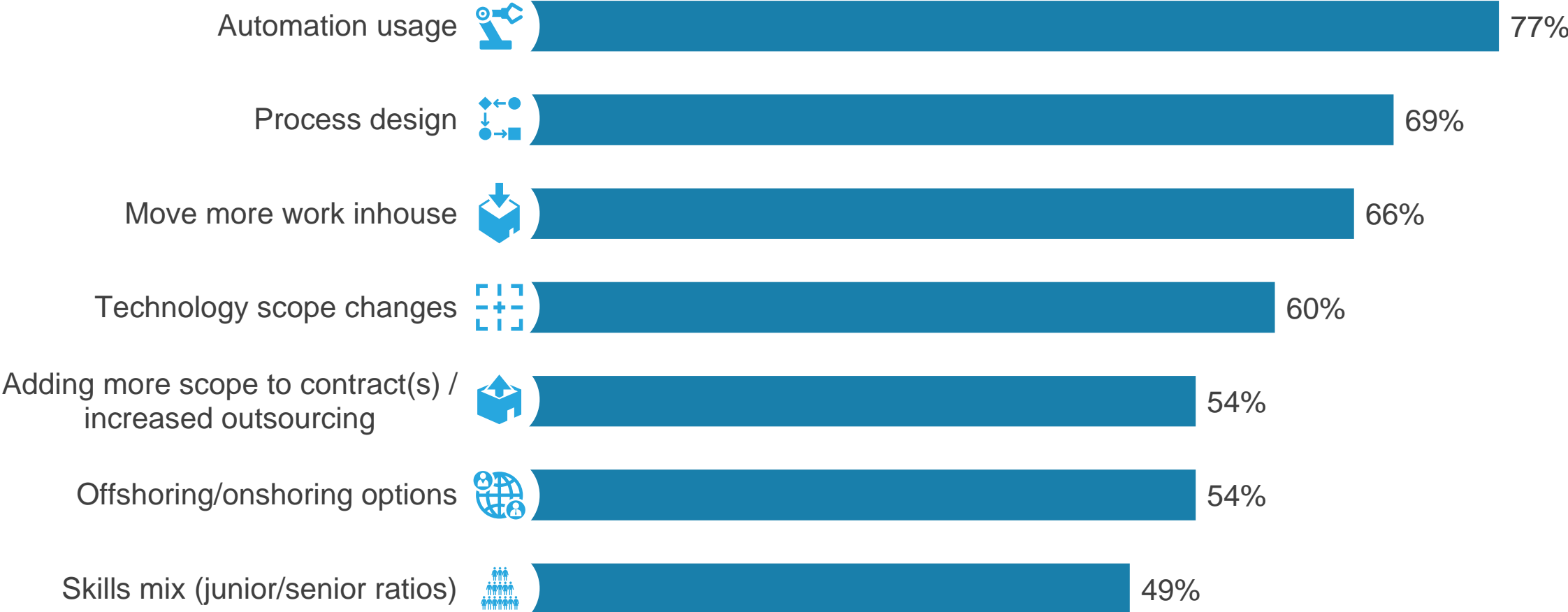
Dec 2020: "...[with] a dedicated department for digitalization at the Board of Management level, we are setting an exclamation mark..."
Karl-Ludwig Kley, Supervisory Board Chairman

Establishes digital unit for next-gen services



Jan 2021: Created a new technology unit – Digital –and appointed Harmeen Mehta as its first Chief Digital and Innovation Officer, reporting directly to the CEO & member of the ExCo

While the pandemic caused enterprises to focus on savings levers, organizations also drove structural changes in their transformation efforts



Source: Everest Group Key Issues Survey, 2020

With increased digitalization – further accelerated by COVID – cloud and cybersecurity emerge as top digital capability priorities

Top digital/next-generation capability priorities for the next 6-12 months



Source: Everest Group Key Issues Survey, 2020

Discussion points for today

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How can you transform @ scale post pandemic

 Q&A

There are three critical challenges to scale digital transformation post pandemic

Platform

Talent

Partner ecosystem

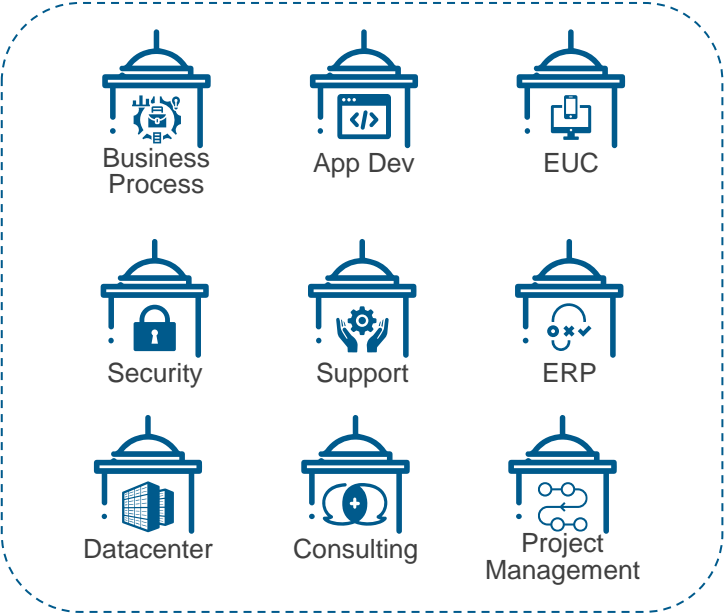


Digital@Scale requires an integrated operating model convergence and blurring of traditional fiefdoms



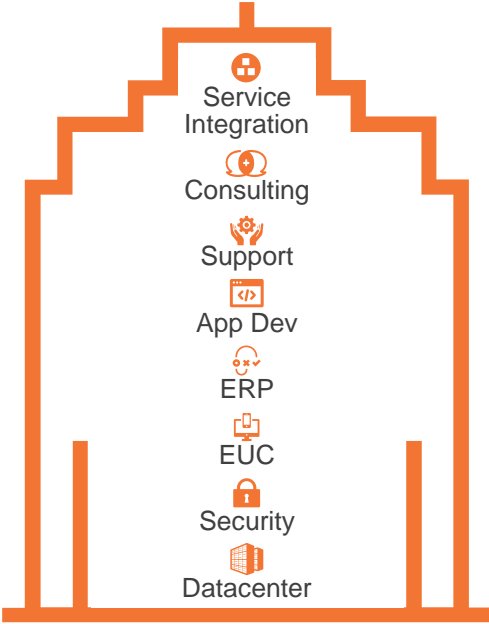
Current: "Towers"

x_i



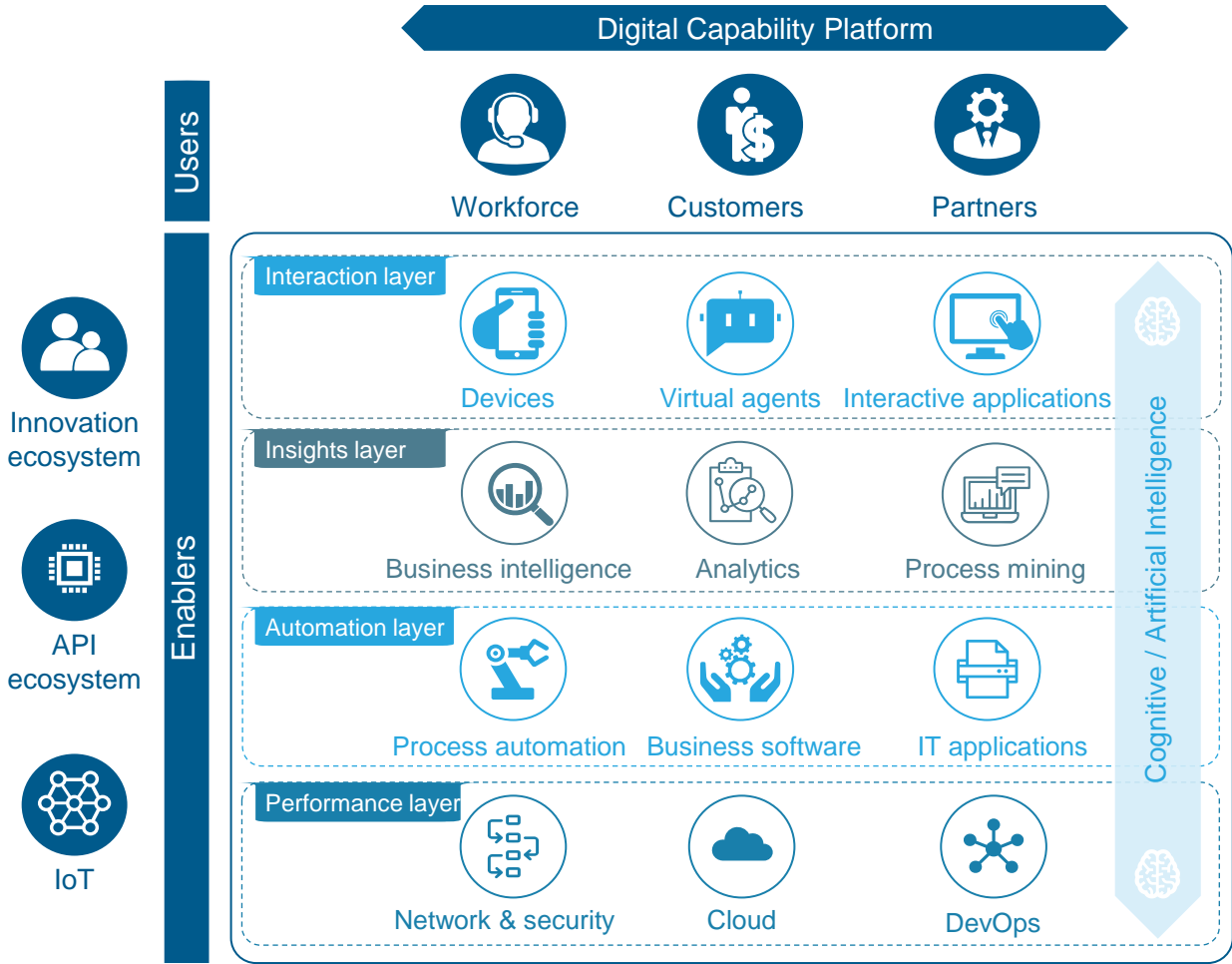
Future: "Stack+Pod"

XaaS

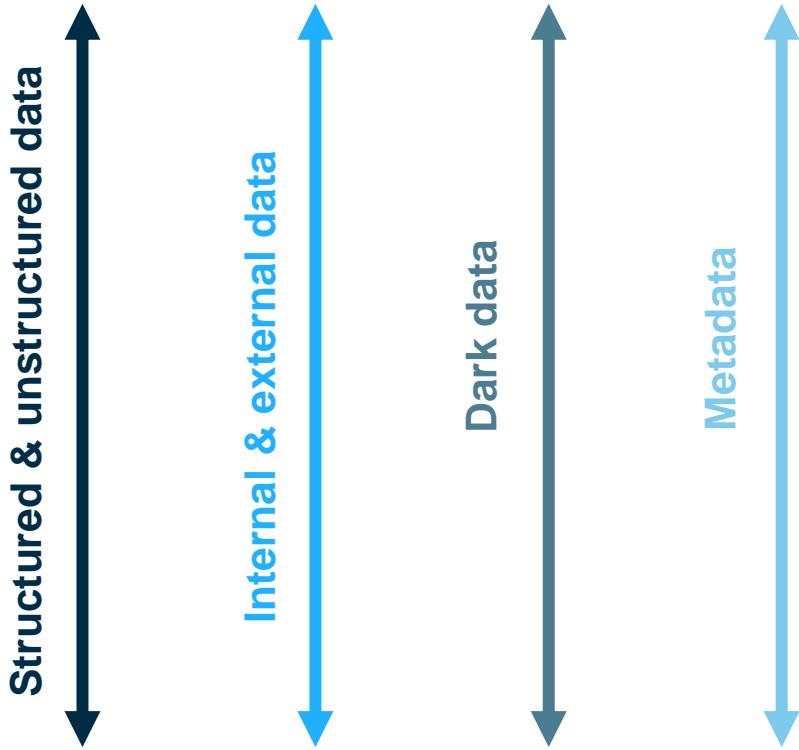


Talent	Factory	Small team / pod
Systems integration	Army of specialists; one and done	Persistent full-stack team
Decision maker	IT	Business
Results	SLAs	Business outcomes

Managing data effectively is one of the critical competencies in the platform era



Data is a critical asset and data management is a critical capability



Talent shortage is viewed as a key impediment to achieving outcomes



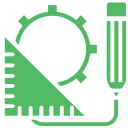
86% of enterprises consider talent shortages as a key barrier to achieving outcomes



There is an acute shortage of qualified applicants with requisite skills



The existing workforce lacks the necessary technical skills, given the pace of technology change



Project readiness (industry context, proficiency levels, etc.) of existing talent is a key barrier



Attrition, especially for niche skills (AI, data analytics, etc.), is high, causing a talent shortage

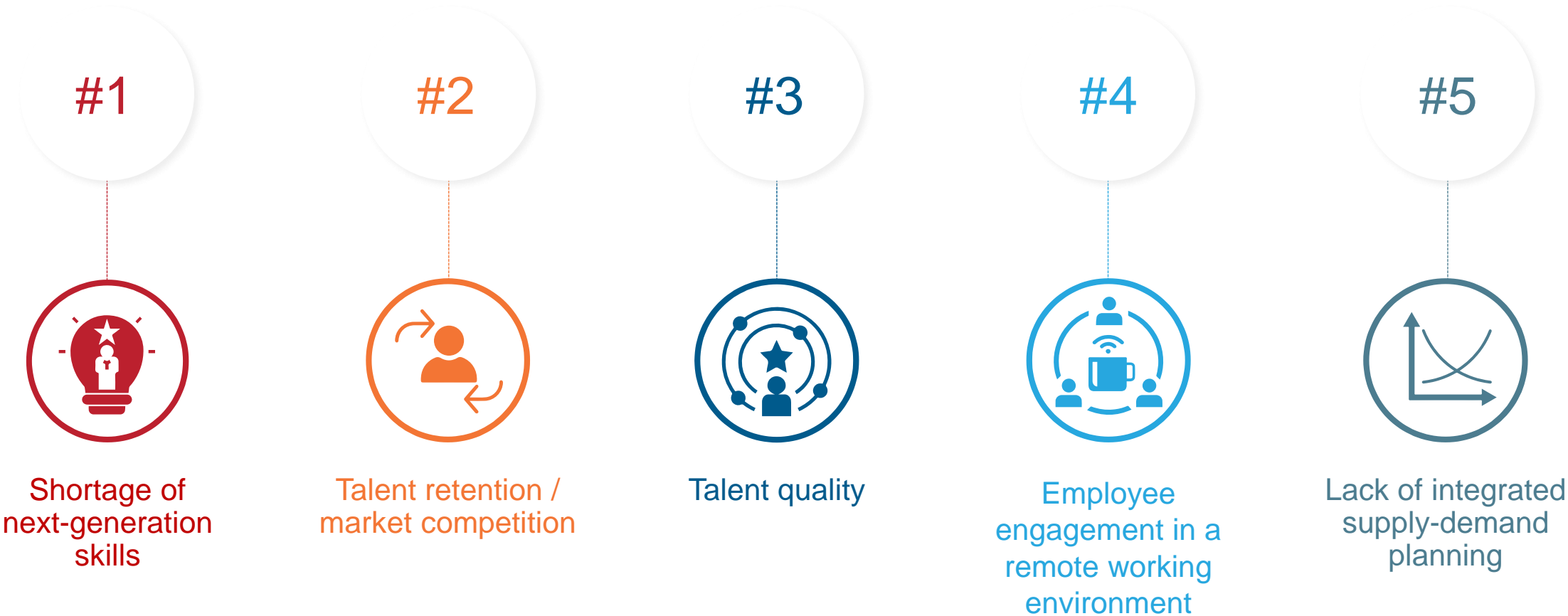
Source: Everest Group (2020)

Talent is a challenge as it is a fundamentally supply constrained market for new skills



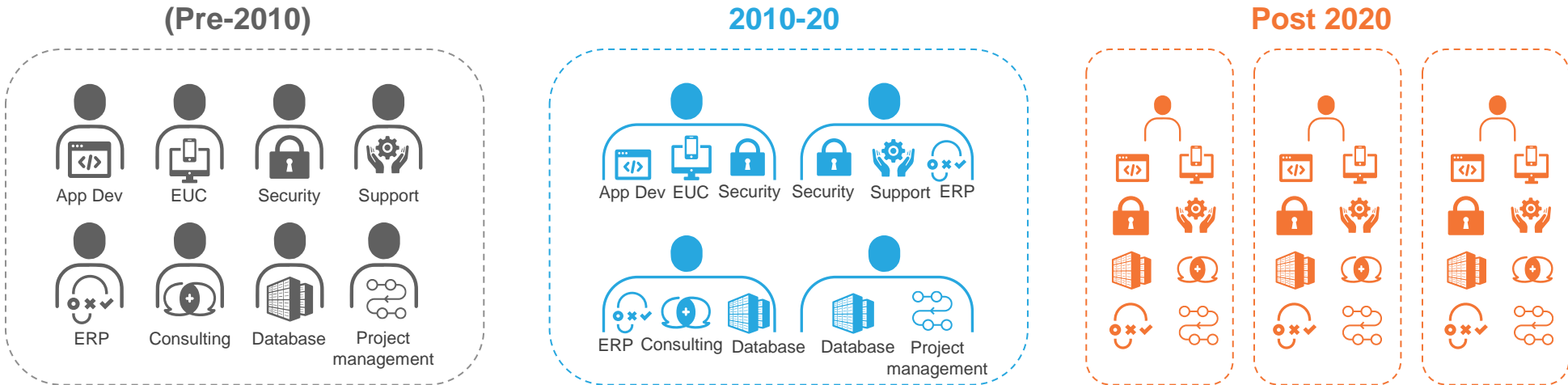
Top talent-related challenges

Percentage of respondents selecting as highly challenging



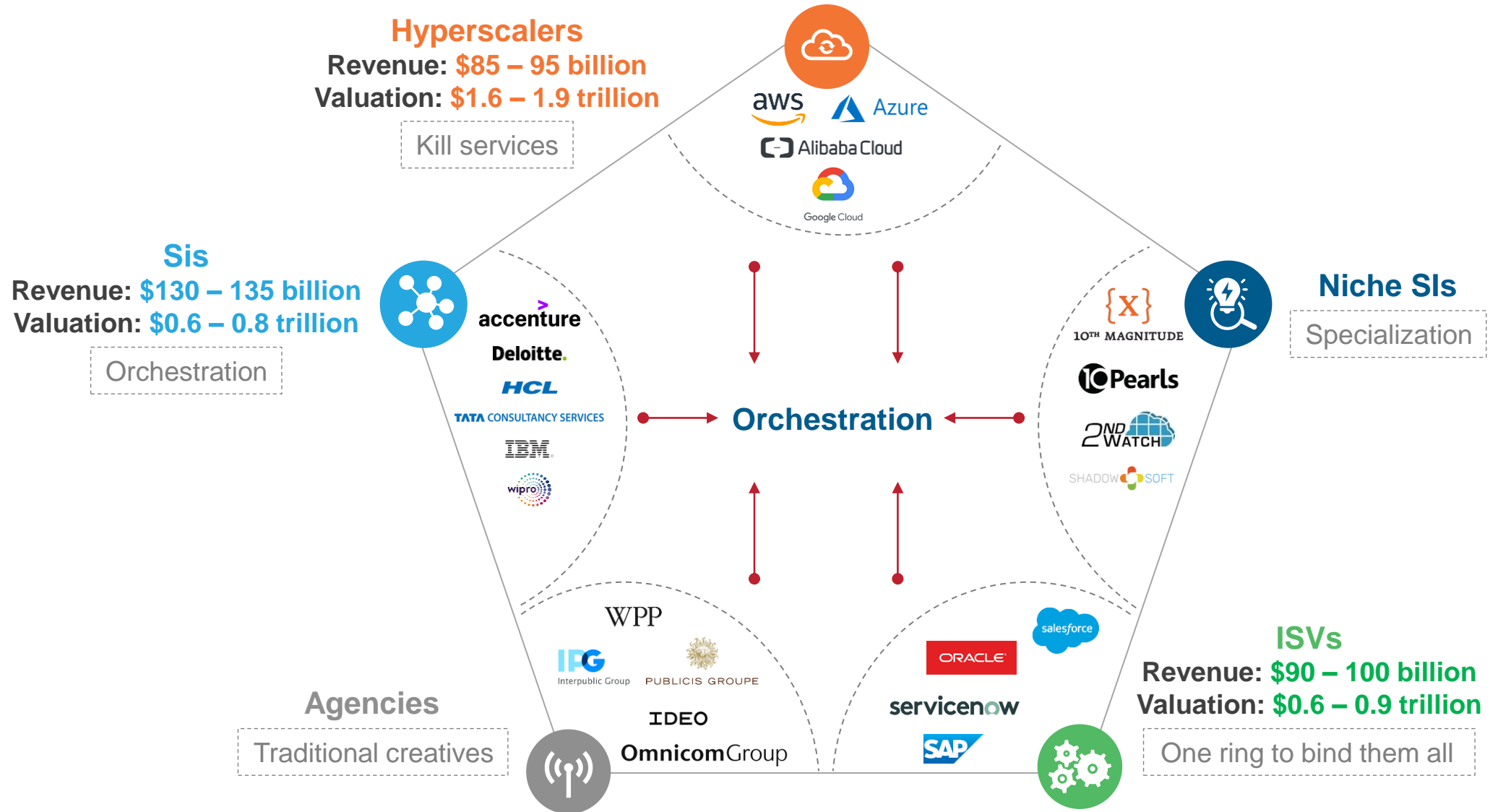
Source: Everest Group Key Issues Survey, 2020

Talent organization and role definition will change as enterprises adapt to the evolving business models

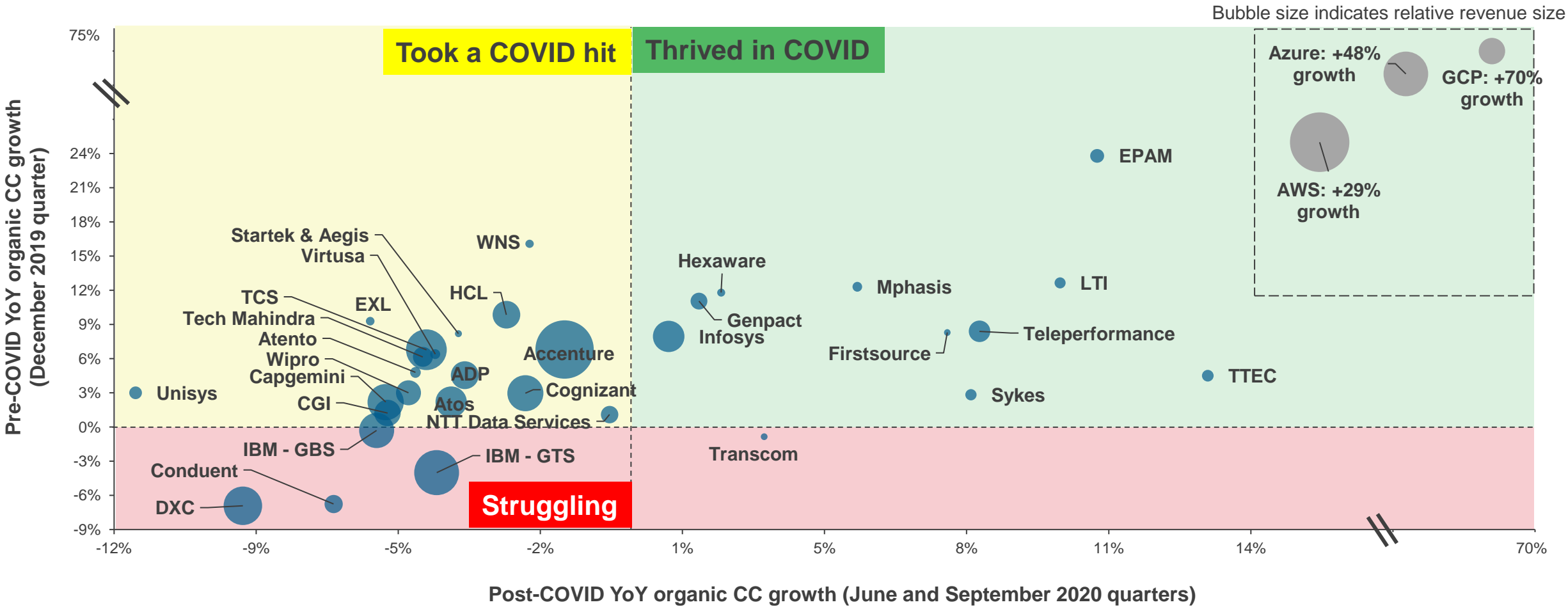


	Roles of yesterday	Roles of today	Roles of tomorrow
Technical skills	Single skill expertise	Core skill + adjacencies	Multi-functional skills
Non-technical skills	Good-to-have	Layered	Ingrained
Mandate	Operate	Operate, transform	Operate, transform, innovate
Skilling model	Factory-based	Factory-based/customized	Highly customized
Organization structure	Ad hoc	Services delivery pyramid	Business- or CX-aligned pods

With digital becoming central, the supply landscape is evolving fast and leading to the emergence of the hyperscaler economy



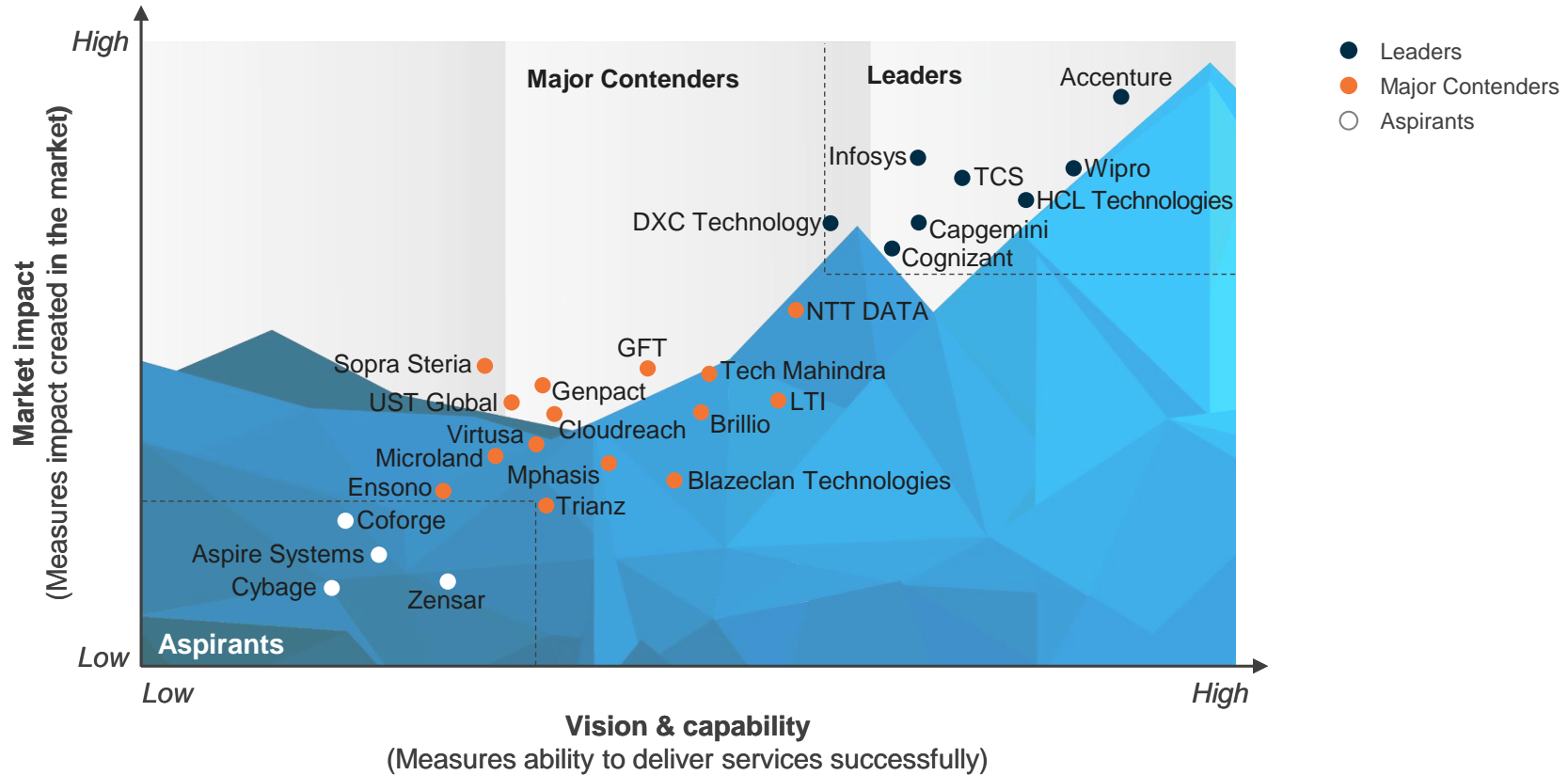
The cloud hyperscalers are outgrowing other vendors, even on a significantly larger installed base



Note: X axis represents aggregate YoY organic CC growth in the Jun-20 and Sep-20 quarters
 Source: Everest Group (2020) and company reports

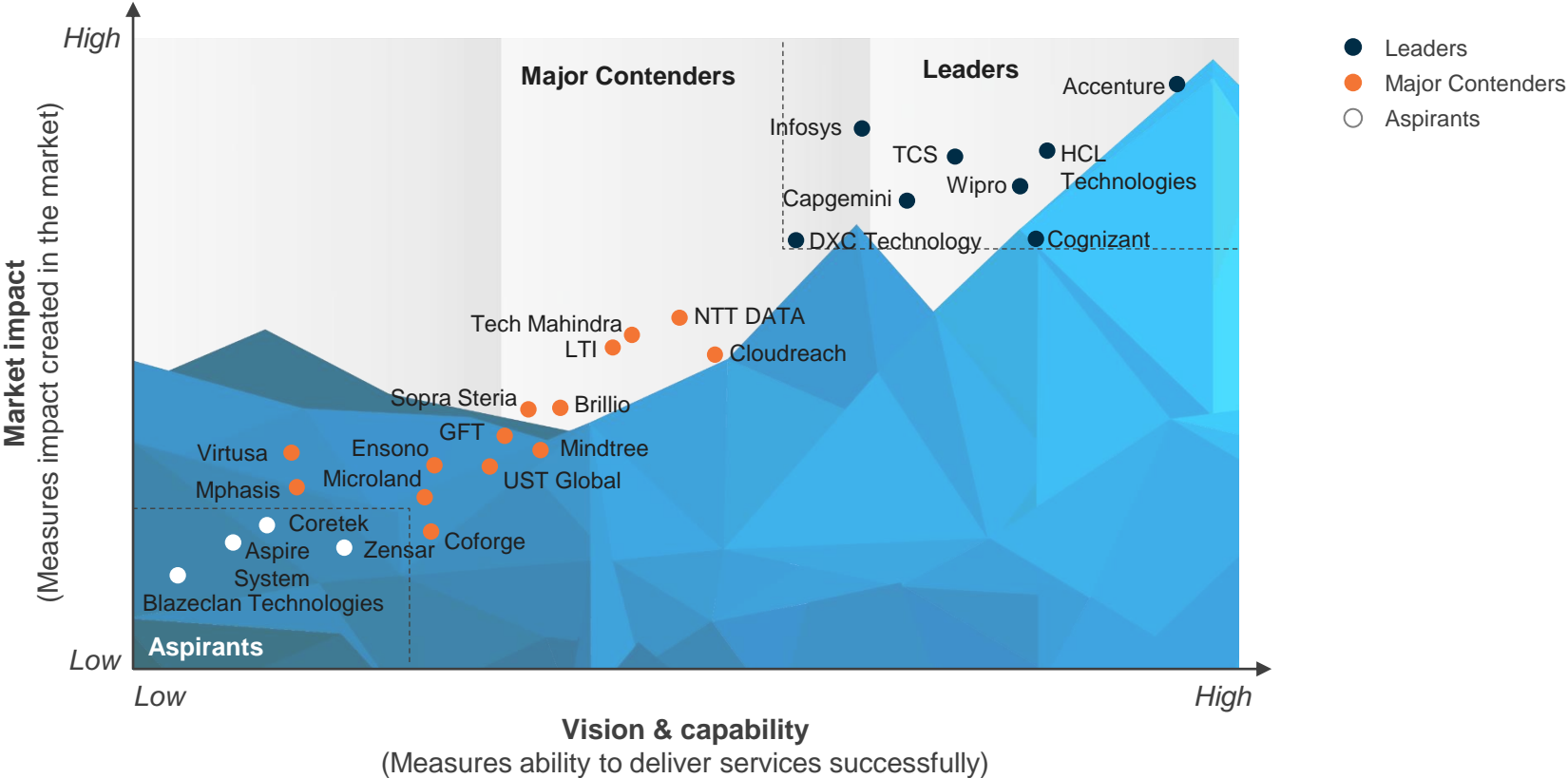
Everest Group PEAK Matrix®

System Integrator (SI) Capabilities on AWS PEAK Matrix® Assessment 2021



Everest Group PEAK Matrix®

System Integrator (SI) Capabilities on Microsoft Azure PEAK Matrix® Assessment 2021

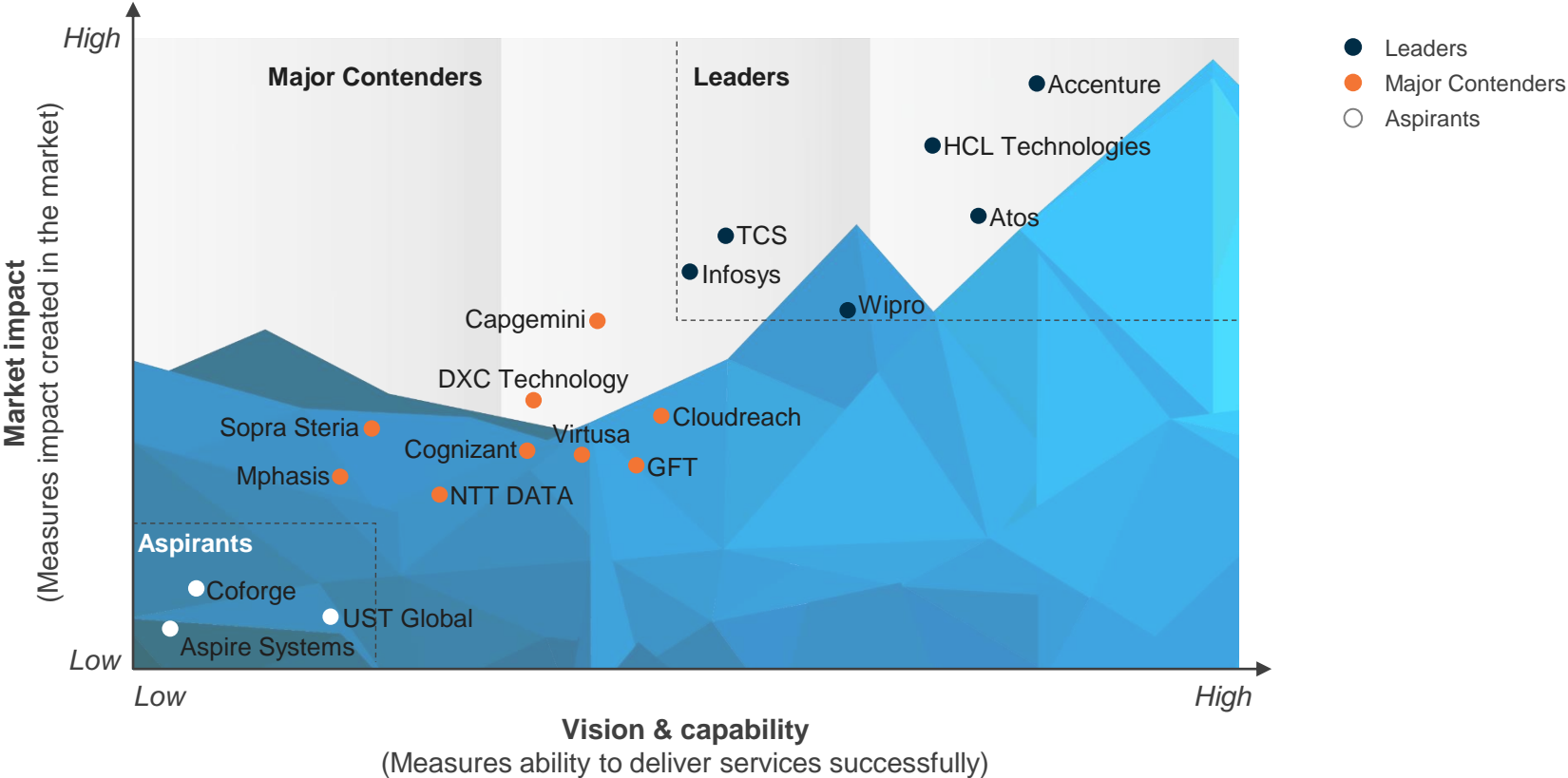


Everest Group PEAK Matrix®

System Integrator (SI) Capabilities on Google Cloud Platform (GCP) Services PEAK Matrix® Assessment 2021



Google Cloud



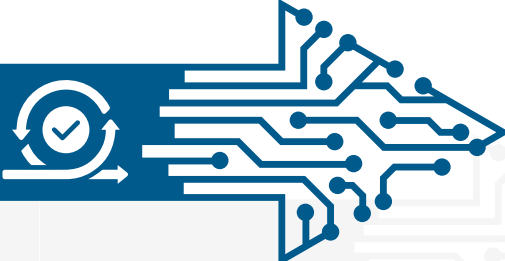
Four common themes that can make digital transformation sustainable for enterprises



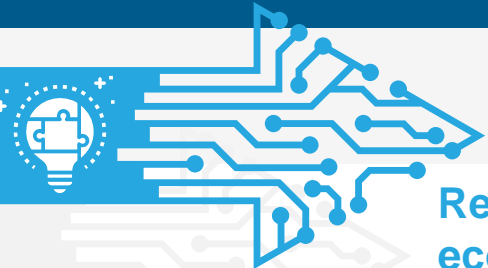
Construct the business with data as its foundation



Address talent challenges proactively



Adopt agility as the default organizational setting



Rethink the platform & partnership ecosystem to drive change at scale

An organization's culture can render all investments and strategies worthless – agility is not a one-time process initiative



“

If you go to bed tonight as an industrial company, you're going to wake up a software company. The world changed.”

— Jeff Immelt —
Ex-Chairman & CEO GE

BUT...



Tech



Uber

Mission 2021 for ENTERPRISES | update your vendor intelligence on key priorities

Get a head start on your journey with Everest Group's PEAK Matrix® analysis



Select any one of the following priorities



You will get



PEAK Matrix® segments

- Data & analytics
- Artificial Intelligence (AI)
- Interactive Experience (IX)
- Internet of Things (IoT)
- Banking IT services
- Insurance IT services
- Capital markets IT services
- Healthcare payer IT services
- Life sciences IT services
- Healthcare provider IT services

Insights on key vendors

- Service delivery capabilities
- Tools and IP
- Commercial models
- Client satisfaction record

HOW

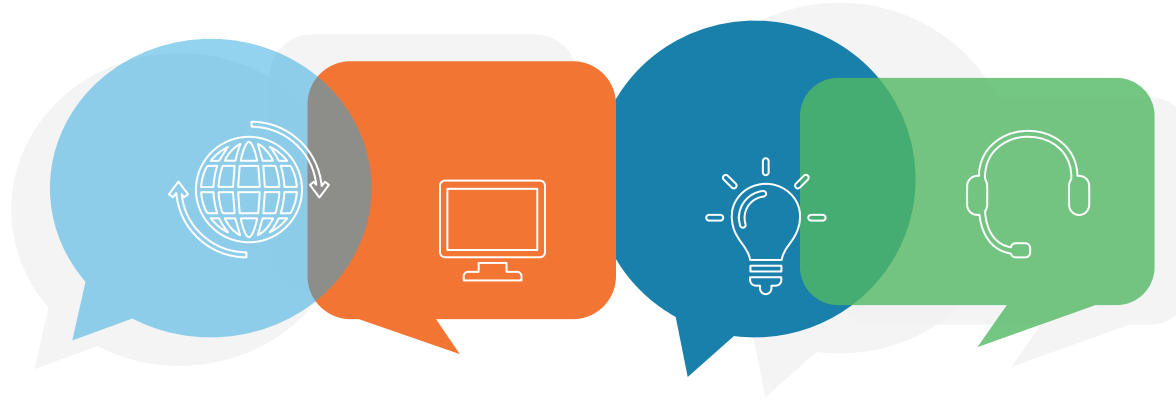
To request your complimentary PEAK Matrix insights (enterprises only), indicate your interest or contact Michel, Nitish, or Alisha (email addresses on an upcoming slide)

Discussion points for today

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How can you transform @ scale post pandemic






To ask a question during the Q&A session

- Access the **Questions** panel within the Zoom console, which is typically located on the bottom of your Zoom window
- Type your question in the dialogue box, then select **Send** to submit the question to our session Organizers/Panelists
- Attendees will receive an email with instructions for accessing today's presentation
- To ask a specific follow-up question, or for a complimentary assessment of your organization's digital effectiveness, please contact:
 - Michel Janssen, michel.janssen@everestgrp.com
 - Nitish Mittal, nitish.mittal@everestgrp.com
 - Alisha Mittal, alisha.mittal@everestgrp.com

Check out our blogs for the latest perspectives on IT and digital transformation





Digital Transformation Success Is NOT Rooted in Technology | Blog

SEPTEMBER 11, 2019 | SHARE [f](#) [t](#) [in](#) [m](#)

Partner

Here's a sobering fact: Everest Group research found that 78 percent of enterprises fail in their digital transformation initiatives. Failure here can mean multiple things, including unsustainable returns, lack of user adoption, or, even worse, abandoned projects.

The following picture illustrates one of the key reasons they're failing. What is it?

Digital Transformation Success Depends on an Agile Approach to Change | Blog


AUGUST 26, 2019 | SHARE [f](#) [t](#) [in](#) [m](#)

Founder & CEO

The principles and practices of the agile movement are quickly moving beyond the IT department and into how firms run their day-to-day business. This new way of organizing and running business gains further impetus by the headlong rush to use digital transformation to gain competitive advantage, which often requires changing a company's operating model through many iterative steps known as a Journey. Using the agile approach, they minimize risks and can validate that their efforts are meeting the desired outcome as they move forward on their Journey. Unfortunately, many companies see these benefits of an agile approach, but they struggle to do that. What are they missing?

Read more in my blog on [Forbes](#)

[AGILE](#) [DIGITAL TRANSFORMATION](#)



Multi-cloud Interoperability: Embrace Cloud Native, Beware of Native Cloud | Blog

OCTOBER 7, 2019 | SHARE [f](#) [t](#) [in](#) [m](#)


Vice President

Our research suggests that more than 80 percent of enterprises around the world have adopted cloud services in some shape or form. Additionally, 46 percent of them run a multi-cloud environment and 59 percent have adopted more advanced concepts like containers and microservices in their production set-up. As they go deeper into the cloud ecosystem to realize even more value, they need to be careful of two seemingly similar but vastly different concepts: cloud native and native cloud.

What are Cloud Native and Native Cloud?

Cloud native used to refer to more container-centric workloads. However, at Everest Group, we define *cloud native* as building blocks of digital workloads that are scalable, flexible, resilient, and responsive to business demands for agility. These workloads are developer centric and operationally better than their "non-cloud" brethren.

Earlier, *native cloud* meant any workloads using cloud services. Now – just like in the mobile world where apps are "native Android or iOS," meaning specifically built for these operating systems – native cloud refers to leveraging the capabilities of a specific cloud vendor to build a workload that is not available "like-to-like" in other platforms. These are innovative disruptive offerings such as cloud-based relational database services, serverless instances, developer platforms, AI capabilities, workload monitoring, and cost management. They are not portable across other cloud platforms without a huge amount



Sustainable Business Needs Sustainable Technology: Can Cloud Modernization Help? | Blog

DECEMBER 10, 2020 | SHARE [f](#) [t](#) [in](#) [m](#)


Vice President

Estimates suggest that enterprise technology accounts for 3-5% of global power consumption and 1-2% of carbon emissions. Although technology systems are becoming more power efficient, optimizing power consumption is a key priority for enterprises to reduce their carbon footprints and build sustainable businesses. Cloud modernization can play an effective part in this journey if done right.

Current practices are not aligned to sustainable technology

The way systems are designed, built, and run impacts enterprises' electricity consumption and CO2 emissions. Let's take a look at the three big segments:

- **Architecture:** IT workloads, by design, are built for failover and recovery. Though businesses need these backups in case the main systems go down, the duplication results in significant electricity consumption. Most IT systems were built for the "age of deficiency," wherein underlying infrastructure assets were costly, limited, and difficult to provision. Every major system has a massive back up to counter failure events, essentially multiplying electricity consumption.
- **Build:** Consider that for each large EEP production system there are 6 to 10 non-production systems across development, testing, and staging. Developers, QA, security, and pre-production ended up building their own environments. Yet, whenever systems were built, the entire infrastructure needed to be configured despite the team needing only 10-20% of it. Thus, most of the electricity consumption ended up powering capacity that wasn't needed at all.
- **Run:** Operations teams have to make do with what the upstream teams have given them. They can't take down systems to save power on their own as the systems weren't designed to work that way. So, the run teams ensure every IT system is up and running. Their KPIs are tied to availability and uptime, meaning that they were incentivized to make systems "over available" even when they weren't being used. The run teams didn't – and still don't – have real-time insights into the operational KPIs of their systems landscape to dynamically decide which systems to shut off to save power consumption.



Post-COVID IT Modernization And Talent Shortage | Blog

FEBRUARY 9, 2021 | SHARE [f](#) [t](#) [in](#) [m](#)

Founder & CEO

I expect 2021 will be a banner year for the third-party services market. The main driver for the activities is pent-up demand from the COVID-19 pandemic, which shut down or postponed many projects. But companies now seek to buy digital and IT services from a different perspective - I call it practical digital at scale.

Read more in my blog on [Forbes](#)

[IT MODERNIZATION](#) [TALENT](#)

Experts in digital transformation

www.everestgrp.com/blog/

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