



Digital Services Market Report 2019: Moving from Digital Readiness to Effectiveness

Digital Services (DS)

Market Report – June 2019: Complimentary Abstract / Table of Contents

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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Background of the research

Digital transformation has established itself as a driving force in today’s economy, and is profoundly impacting people, processes, and technology innovation. In the recent years, enterprises have undertaken numerous digital transformation initiatives to improve revenues, reduce costs, and enhance customer experience.

However, this level of massive investment brings with it huge risks, especially for companies that neglect to take into account the full impact of digitization in every aspect of their business. Despite making significant investments in the form of people, technology, and money, most struggle to extract the desired return from their digital investments that translate into sustainable business value. Traditional metrics, complex governance structures, conservative business approach, and lack of talent are just some of the reasons preventing clients from getting their money’s worth out of the effort.

Through our interactions with over 180 CXOs and digital heads across the globe, we have assessed digital transformation success and failure cases to arrive at some of the best practices that enterprises need to adopt for achieving the right returns from their investments. This assessment is based on Everest Group’s annual RFI process, interactions with successful enterprises, service providers, and an analysis of the digital services market.



Sources leveraged:

- Everest Group’s survey of 187 enterprises with US\$1 billion or more in global revenue
- Survey was taken by Director, VP, and CXO-level executives
- Expert analyst inputs
- Previous Everest Group research



Digital adoption trends



Operating model for digital transformation



Recommendations for operating model transformation

Scope of this report:
Market segment: Digital services
Geography: Global

Overview and abbreviated summary of key messages (page 1 of 2)

As enterprises transcend the digital maturity curve, they are investing more in digital transformation initiatives. However, the returns from these initiatives are either not realized or have plateaued in recent years. In this research, we present the challenges faced by most of the global enterprises in carrying out successful digital transformation and the distinct approach adopted by successful enterprises. We also discuss eight foundational elements which enterprises need to focus on to be successful in their transformation journey.

Some of the findings in this report, among others, are:

Unrealized returns

- A siloed approach to digitization without adjusting for remaining elements of the value chain creates issues in achieving transparency, process integration, and efficiency
- A traditional organizational mindset prevents organizations from tapping the full potential of digital investments
- Insufficient or missing digital competence prohibits organizations from executing digital programs efficiently
- The ROI lens of traditional budgetary and governance structures are still focused on individual departments than the overall organization impact
- Misaligned strategy and vision is the secret killer of digital transformation initiatives

How do successful enterprises differ

- Design their digital strategy that is not only in line with business transformation and overall corporate strategy, but also responsive to individual needs of business units as they arise
- Redesign their IT delivery model to maintain consistency and ensure error-free operations
- Create a culture compatible for digital transformation by supporting innovation, fostering internal collaboration, and adopting efficient change management
- Leverage multiple modes to invest continuously in talent acquisition and development

The path to digital effectiveness

- Achieving success requires an enterprise to optimize eight foundational elements across strategy and solution
- A holistic approach covering all eight elements needs to be tailored to enterprise's specific requirements for achieving the right returns for investments in digitization
- Focus areas within strategy include economics, organization and culture, performance and governance and vision
- Focus areas within solution include technology, talent, data and ecosystem and sourcing

This study offers three distinct chapters providing a deep dive into the approach for achieving returns from digital investments; below are four charts to illustrate the depth of the report

Achieving the right ROI from digital investments is an art

A siloed approach to digitization without adjusting for remaining value chain elements restricts enterprises from achieving the desired returns from their digital investments

- 73% of enterprises fail to realize sustained returns
- 78% of enterprises fail in their digital transformation initiatives
- 57% of enterprises witnessed an increase or no improvement in their operating costs in the last two years
- 63% of enterprises believe they lack a well-defined set of success metrics

Inability to realize sustainable returns



44%

of enterprises witnessed worsening or no improvements in their operational capabilities/metrics in the last two years



20%

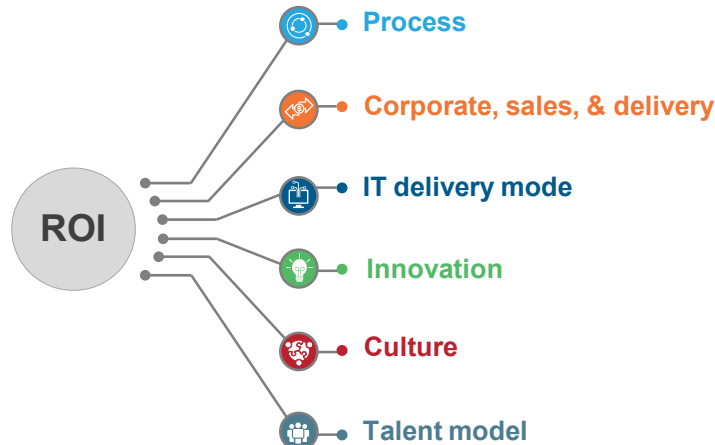
of enterprises witnessed reduction or no improvement in employee productivity in the last two years



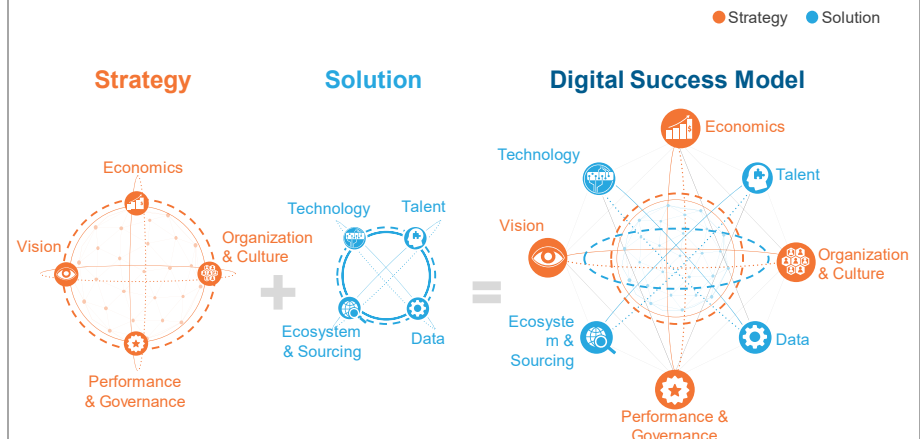
57%

of enterprises witnessed an increase or no improvement in their operating costs in the last two years

Where do successful enterprises differentiate



Digital success model: eight foundational elements for success



Research calendar – Digital Services

■ Published ■ Planned □ Current release

Flagship Digital Services reports

Release date

Digital Services – Annual Report 2018: Future Operating Model to Scale Digital	July 2018
IoT Services Annual Report 2018	August 2018
IoT Services PEAK Matrix™ Assessment and Market Trends 2018	December 2018
Digital Services PEAK Matrix™ Assessment and Market Trends 2019	December 2018
Digital Services – Market Report 2019: Moving from Digital Readiness to Effectiveness	June 2019
Digital Interactive Services PEAK Matrix™ Assessment and Market Trends 2019	Q3 2019
Blockchain Services PEAK Matrix™ Assessment and Market Trends 2019	Q4 2019

Thematic Digital Services reports

Design Thinking: Innovation Catalyst for Digital Transformation	July 2017
Enterprise Bots Adoption	July 2017
BigTech Battle: Leading Internet of Things (IoT) Platforms Assessment – A Selection Guide	October 2018
Enablers of a Unified Customer Experience (CX) – Omnichannel CX Trailblazers	June 2019
BigTech Battle: Digital Experience Platforms Assessment – The Era of Omnichannel	June 2019
Emerging Technology Trailblazers	Q3 2019
AI masterclass	Q3 2019

Additional digital services research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest

1. **Digital Services PEAK Matrix™ Assessment and Market Trends 2019**([EGR-2018-33-R-2876](#)); 2018. **Design and Innovation to Power the Next Wave of Digital**. In this report, we present an assessment and detailed profiles of 24 digital service providers featured on the digital services PEAK Matrix™. Each service provider profile provides a comprehensive picture of its service focus, key Intellectual Property (IP) / solutions, domain investments, as well as two case studies. Through our interaction with over 45 digital heads / CIOs of we have also consolidated the best design and innovation practices for service providers and enterprises need to follow in this report
2. **Applications Transformation for the Digital Age**([EGR-2019-32-V-3137](#)); 2019. To transform application services for the digital age, it has become imperative for enterprises to make changes across multiple dimensions spanning technology, processes, organizational design and culture. This report analyzes the challenges inhibiting traditional application services models and outlines measures enterprises can undertake to transform application services

For more information on this and other research published by Everest Group, please contact us:

Yugal Joshi, Vice President

yugal.joshi@everestgrp.com

Parijat Sen, Practice Director

Parijat.sen@everestgrp.com

Alisha Mittal, Practice Director

Alisha.Mittal@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-80-61463500

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765


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