

TOP 3 PREDICTIONS FOR DIGITAL TRANSFORMATION IN 2022

In the end it is all about business outcomes

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DIGITAL IS DEAD; LONG LIVE BUSINESS TRANSFORMATION




Although the term “digital transformation” has served an important purpose of focusing the attention of business leaders and the IT services and consultancies working with them, it has been among the most overused phrases of the last 10 years in technology. At the start of 2022, no one will need to be reminded that technology — digital — can drive transformation. Business transformation is returning to the forefront for enterprises as a result of the pandemic, the advantages of emerging technologies, and the generational shift in the C-Suite, with newly promoted decision makers fully soaked in all the possibilities of technology.

The shift from digital transformation to business transformation will accelerate in 2022, amid the change in buyers and as digitally mature businesses are more inclined to bring technology talent in-house. These trends, along with the return to in-person workplaces and a resurgence of innovation and transformation centers, will create opportunities for leading IT services vendors and consultancies to separate from the pack by expanding managed services, returning clients to in-person creative sessions, and shifting away from technology-first mindsets.

2022 will be a pivotal year for digital transformation ... perhaps its last.

▼ PREDICTIONS




AS CLIENTS GRADUATE BEYOND DIGITAL TRANSFORMATION, VENDORS SCRAMBLE TO STAY RELEVANT

-  **Trend:** Digital transformation has reached maturity for some enterprises, leading buyers to bring capabilities in-house and reduce their dependence on IT services vendors and consultancies.
-  **Driver:** IT services vendors, consultancies and technology vendors have persistently and successfully convinced enterprises to invest in new and disruptive digital capabilities and upgrade their IT and enterprise infrastructures. In short, digital transformation moved from an idea to an imperative to everyday work.
-  **Result:** Pivoting to managed services and introducing new emerging technologies — possibly at revamped innovation and transformation centers — will provide leading IT services vendors and consultancies a revenue cushion against any business lost to clients that have graduated beyond the initial stages of digital transformation.

Success often leads to setting new goals and expectations. In the digital transformation space, the IT services vendors, consultancies and technology vendors that led their clients to and through digital transformations now face the fruits of their success: clients that no longer need as much attention, guidance and digital transformation services. These clients will build their own capable digital transformation talent, echoing the way enterprises staffed up to maintain ERP solutions a generation ago and cloud platforms in recent years. Leading IT services vendors and consultancies will seamlessly pivot to new engagements at those clients, providing managed services around the clients' expanded software infrastructure and introducing new solutions based on still-nascent technologies, such as blockchain and edge computing.

TBR sees three stumbling blocks in 2022: finding certified talent, developing the enabling organizational model, and putting a proper sales team in place. To take just that last point, selling managed services or Software as a Service requires a different sales mindset and motion, and not every IT services vendor or consultancy has that team and those mindsets in place. Leading vendors will continue separating from the pack in 2022 as laggards see their best clients begin to leave them behind, in the same way they are chasing their more successful peers.




FUNKY CHAIRS ONLY MATTER IF YOU CAN PHYSICALLY SIT IN THEM: THE RESURGENCE OF INNOVATION AND TRANSFORMATION CENTERS

-  **Trend:** IT services vendors and consultancies continued opening new innovation and transformation centers during the pandemic, while experimenting with ways to make hybrid experiences more valuable and weighing a return to 100% in-person engagements.
-  **Driver:** All-virtual delivery during the pandemic proved innovation and transformation centers could still provide value. But true innovation cannot happen over a screen, and returning to in-person sessions remains a priority.
-  **Result:** The disparate approaches, center designs, staffing models and client outcomes that defined innovation and transformation centers five years ago will return in full in 2022 as IT services vendors and consultancies learn different lessons from all-virtual creativity and hybrid-by-necessity digital transformations.

Not since PwC launched its Experience Center in Hallandale, Fla., and Deloitte opened its first Greenhouse — initiating the innovation and transformation center age — have the IT services vendors and consultancies faced so many stark choices about the future of client-centric, business problem-oriented, technology-enabled creative spaces. Hybrid or all in-person? Build new or repurpose existing? How to better incorporate technology partners? Can the centers be used for internal purposes, such as recruiting, without diminishing their value to clients and the expected return on investment? Industry-specific or any and every industry, depending on the client? By late 2019, many IT services vendors and consultancies had coalesced around a common set of answers to the challenges, making many of the centers — with some notable exceptions — indistinguishable except for the branding.

The pandemic upended all that, and now TBR expects the leading IT services vendors and consultancies will reinvigorate investments in these centers, accelerate recruitment and training to staff them, and focus on a few select technology partners to bring greater clarity and more immediate results to clients. Physical locations will again be a critical success factor, as well as a pivot toward more industry-specific centers. For leading IT services vendors and consultancies, a second era of innovation and transformation centers will bloom in 2022. Also-rans and laggards will be defined by their inability to make decisions and invest in time to retain clients engaged in digital transformations.

NEW GENERATION OF BUSINESS LEADERS EXPECT BUSINESS TRANSFORMATIONS, NOT DIGITAL ONES

-  **Trend:** A new generation of digital transformation buyers readily accepts the technology aspect of change, expects the technology will work efficiently, and looks to IT services vendors and consultancies to bring about business transformation, not digital transformation.
-  **Driver:** Broad acceptance of emerging technologies, accelerated substantially by cloud adoption during the pandemic, empowers C-Suite decision makers to look beyond digital and focus more intently on transformation.
-  **Result:** Digital is dead. Beginning in 2022, IT services vendors and consultancies will accelerate the phasing out of “digital” as a meaningful term, with the understanding, across the entire ecosystem including vendors, technology partners and clients, that every business transformation includes a digital component and that business transformation drives everything.

Good luck to the IT services vendor, consultancy or technology vendor trying to sell digital transformation at the end of 2022.

The rising generation of enterprise decision makers, in the C-Suite and in the IT stack, expects technology to work, efficiently and every time, or someone will service it. These leaders understand that people remain the challenge, not the technology, and that transformation comes through changing the business — the organization, culture, processes and people — not the technology. IT services vendors and consultancies that continue to pitch technology-centric solutions will increasingly be speaking into the wind. Every software developer, solutions architect, data scientist and IT specialist will need to understand and articulate business value, beyond faster, cheaper and more reliable technology. If every management consultant had to become competent around cloud and analytics, now every IT services professional will need to learn business model basics because clients will expect it.

And large-scale transformations will be simply that, transformations, with both the digital/technology components implied and the business transformation fundamental.

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