

# TOP 3 PREDICTIONS FOR DIGITAL TRANSFORMATION IN 2023

## AI, automation and the metaverse: Why digital transformation won't be the same in 2023

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## ▼ **DIGITAL = ECOSYSTEMS, WITH AI, AUTOMATION AND METAVERSE AMONG THE PROMINENT AND NEW(ISH) MEMBERS**

Digital transformation (DT) never ends, even if the pilot project scales. Enterprises always need another transformation, and IT services vendors and consultancies helpfully meet that demand with new technology. The metaverse — whatever it actually turns out to be — is the latest shiny new object that drives hype and early-stage investments. Digital transformation cannot escape technology, but as enterprises mature from innovation into iterative improvements, all of DT becomes less about feeds and speeds in a business-context-free vacuum and more about connecting technology with business processes. In a bit of good fortune for everyone involved in DT, AI is the perfect tool to enable that connection.




Everyone involved in DT has experienced the increased importance of ecosystems, with some growing sense that it is only a matter of time before enterprises, IT services vendors, consultancies and technology partners all share data and harmonize processes across one giant multi-enterprise business network. That reality, to quote someone who would not want to be quoted for saying this (Google it), is “a success that hasn't occurred yet.” While unrealistic for now, clusters of ecosystems might be emerging as IT services vendors and consultancies rapidly pivot away from going to market with technology vendor-agnostic approaches (see the third prediction in this document).

One more implication to consider as we move into 2023: just as a new ecosystem cluster may emerge, new silos may develop within enterprises. Rather than divisions between lines of business and IT, finance, and other traditional business groups, silos may form around specific technologies, providing an opening for IT services vendors and consultancies with specialized skills and the capability to advocate around solutions instead of business KPIs. In TBR's view, IT services vendors and consultancies that help build these silos, or mini ecosystem clusters, will need to keep them open, with the right protocols and API from the technology side and the standards, incentive models and messaging on the business side.

2023 will be a rocky year, with a potential global economic slowdown decreasing spending on innovation while compelling investments in cost-cutting. The best prepared and smartest IT services vendors and consultancies will see through to the far side of any recession to rebounding spending on AI-fueled transformation supported by keep-the-email-system-working realities of core IT services.

## ▼ PREDICTIONS

### YOUR FUNKY CHAIR NOW FLOATS IN THE METAVERSE

-  **Trend:** With the slow emergence of the metaverse, evident not in the hype but in investments by mix of IT services vendors, consultancies and cloud providers, freshly minted business leaders and stodgy old-timers need guidance on how to navigate a new reality.
-  **Driver:** Combining hype, marketing and the consistent need for consulting to create new mousetraps, metaverse providers have begun proving the technology and presenting use cases around hybrid workforces; environmental, social and governance (ESG) commitments; and reduced travel.
-  **Result:** The metaverse only brings value to the marketing departments championing it, but the trends driving the metaverse's false promises will have real impacts on the two trends below.



Part of what makes metaverse's promises laughable is that we all spent so much time looking at a screen during the pandemic. People want to meet in person, interact and touch physical things. Still, the metaverse's creeping ubiquity will be driven by two trends:

- Compelled by Meta's big bet on metaverse, a bet that was deemed essential by Meta executives to retain user eyeballs and offset monthly active-user growth declines, IT services vendors and consultancies have invested in expertise and capabilities, at least enough to support future metaverse-related consulting engagements and some pilot projects around metaverse application within real-verse commercial transactions. In the near term, IT services vendors and consultancies investing will seek some returns, even if only in brand awareness around metaverse capabilities. We are seeing the initial efforts of monetizing metaverse investments — the pivot from *scrolling* to *strolling*. But successfully monetizing direct-to-avatar campaigns in the physical world will require more than a bit of tech and pixie dust. Metaverse advocates will need to convince brands that the consumers with the deepest pockets (retired baby boomers) care about their virtual environments as much as the TikTok generation (their grandkids).
- Many established emerging technologies (not an oxymoron; think: blockchain) continue to fall short of their commercial and transformative promises, opening space for business leaders looking for the next new thing, which happens to be the metaverse. In short, it is the metaverse's turn in the hype cycle.

We are not going back to 2019, when hybrid engagements of any kind were suboptimal and only grudgingly tolerated. Post-pandemic, we have a world that accepts mixed realities for all participants, whether it is employees, clients or partners. The metaverse enables that, so we are stuck with it. Digital transformation — that amalgamation of technologies, business process revolutions, hype and hard work — will enable the metaverse. At some point, but not too soon.



## AUTOMATION WILL LOWER COSTS AND AI WILL TRANSFORM BUSINESSES




-  **Trend:** Companies have begun deploying AI and automation at scale, leveraging the “digital” aspects of digital transformation well beyond pilot projects and minimum viable products (MVPs).
-  **Driver:** Enterprise-grade AI gives visibility into inefficiencies, and automation enables transformation and value realization. Together, AI and automation create capacity for accelerated change.
-  **Result:** Automation and AI will provide companies with insights into efficient and meaningful cost cuts, which may act as a buffer against pressures to maintain profitability through sales growth alone. Smart IT services vendors and consultancies will come forward with this exact value proposition.

Before IT services vendors and consultancies can make that value proposition, they must think carefully about messaging digital transformation growth in contrast to cost containment: AI is the former, automation is the latter. Both are necessary but being sold to different stakeholders on different terms with different expectations, particularly as the prevalence of AI and automation increases across large enterprises. Curiously, trust and transparency have become driving characteristics behind accelerated adoption of both AI and automation, with clients extending engagements and renewing contracts based on how well IT services vendors demonstrate both. One metric clients increasingly use to measure trust and transparency: vendors’ ability to partner smartly across the ecosystem and deliver both credible and scalable emerging tech as well as an immediately recognizable return on investment.

All the brouhaha over AI and automation cannot crowd out the reality that, for many enterprises, IT spending has become a utility cost — you have to pay the bills to keep your (IT) lights on. For many enterprises, this can mean operating a suboptimal ERP until you are able to budget an upgrade. Conveniently for IT services vendors and consultancies, those ERP modernizations, frequently including cloud migrations, provide openings for ... AI and automation!

In this environment — clients with suboptimal IT systems and consultants ready to sell them exciting new AI tools — scrutinizing budgets, demanding transparency and relying on trusted partners provide clients with a few levers to ensure they are getting both digital transformation and cost-cutting.

## THE HYPERSCALERS WILL KILL TECHNOLOGY AGNOSTICISM

-  **Trend:** IT services vendors and consultancies have begun pivoting from technology agnosticism to capability-aligned strategies, as evidenced by subindustry-specific cloud and platform offerings as well as geo-specific and skill-specific hyperscaler-certified talent.
-  **Driver:** As cloud migrations and IT modernizations become more efficient, clients give no second chances to prove capabilities, expertise or scale. IT services vendors and consultancies must demonstrate depth and breadth around hyperscalers' technologies. Clients expect it, in part driven by what hyperscalers are telling them.
-  **Result:** 2023 will see clusters of multipartner advanced specializations, such as EY, Microsoft and Infosys launching a data and AI hub in Vietnam staffed by consultants, cloud engineers and delivery teams from all three vendors.

Professing to be agnostic about which technology or technology vendor a client wanted to work with helped IT services vendors and consultancies in the early days of ERP and cloud. As adoption accelerated and clients grew comfortable working with technology vendors like Amazon Web Services (AWS), SAP, Google and Salesforce, IT services vendors and consultancies needed to prove their expertise and capabilities. Designated business groups and even joint ventures became commonplace and, over time, the value of being able to work with any and all technology partners dimmed in comparison to the value of having dedicated professionals certified in a particular technology and backed by leadership with shared visions about the roles, responsibilities and opportunities of more closely combining go-to-market and delivery capabilities of IT services vendors and consulting with their technology partners.

Well, almost. Clients want the flexibility of using multiple technology vendors, particularly for cloud, and challenges continue to emerge around commercial constructs, including who owns clients, who leads and manages, who bears liability, and how investments splits are determined. Hyperscalers, like AWS, Google and Microsoft, have dominant roles in the market and can, to some degree, dictate terms, leading many of the IT services vendors and consultancies into more tightly aligned partnerships — not exclusive, but preferred.

In TBR's view, this evolution away from technology agnosticism makes sense. Clients do not want IT services vendors and consultancies learning the technology as they recommend and then implement it at clients' sites. They want ecosystem players who can deliver expertise in specific technologies and leverage their alliances to get the best technology — and deals — from the hyperscalers.



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