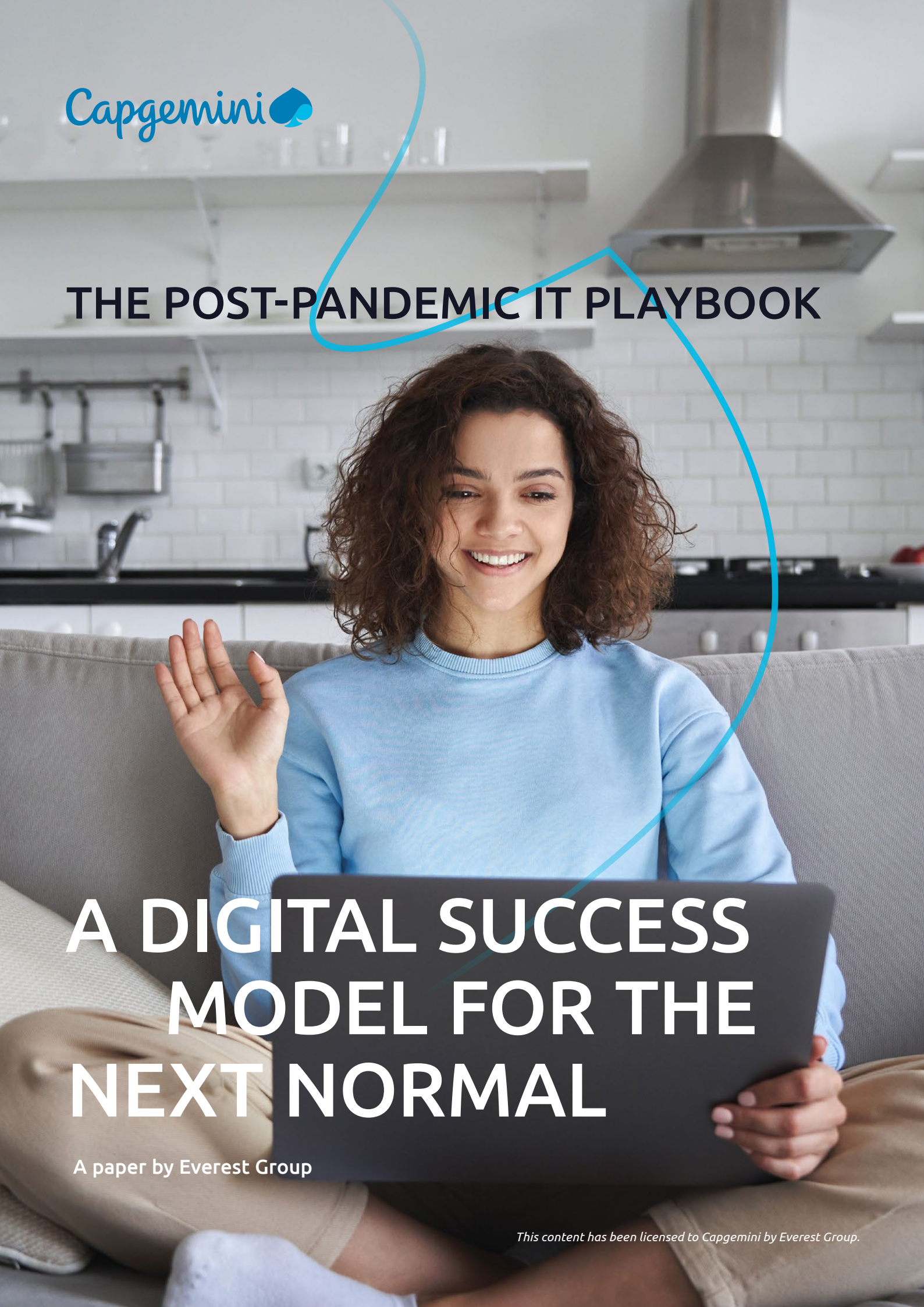

Capgemini

THE POST-PANDEMIC IT PLAYBOOK

A DIGITAL SUCCESS MODEL FOR THE NEXT NORMAL

A paper by Everest Group

OLD NORMAL, NEW NORMAL, NEXT NORMAL

WHAT IS "NORMAL" NOW ANYWAY?

Starting the conversation – and taking concrete action – on Enterprise IT strategies for leading in the post-pandemic world

Well, if we've learned one thing over the course of the pandemic, it's that "normal" has a different meaning for all of us. This nebulous "normal" has created many challenges – but also opportunities – and how you grasp these opportunities will play a huge role in the future success of your business.

In sharing this joint paper from Everest Group, we're starting a conversation about how you can create resilience and stability, while simultaneously fostering flexibility on top of strong foundations. To build a better future, we need to be aware of some of the lessons from the past, while pursuing a clear outcome-led focus. A conversation is something very human. And while this conversation may be about human characteristics like resilience, stability, and flexibility – we're talking about applying them to the digital area of Enterprise IT.

At Capgemini, our passion lies in helping our clients to excel in the delivery of their Enterprise IT. And now, as we recover from the disruption over the past two years, it's time to look at new ways to respond in the form of new approaches that free your business from the legacy constraints of the past.

Our ADMnext offer encapsulates the characteristics described above and applies them across the wide scope of Enterprise IT. ADMnext's many layers have helped clients to continuously reduce costs and increase operational efficiency, while also creating an agile IT estate that's fit for the future. We now want to build upon this to help existing and prospective clients lead their industries by exploiting the latest technologies and business models. No one offer or approach can address all the challenges of every company looking to lead in a post-pandemic world – and it's safe to say that a host of new challenges will arise, and our fortitude will be tested again.

In presenting this paper – and starting this conversation – we're looking to help you with a pragmatic approach to forging future Enterprise IT that's focused on the right measures and underpinned by the right strategy. Capgemini's ADMnext Enables Infinite Possibilities for your future Enterprise IT with business-focused ADM Services that accelerate growth and support your non-stop drive to business excellence.

So, let's take concrete action together and develop and apply the most innovative effective Enterprise IT strategies that will cement your place as a leader in the post-pandemic world.

Clifton Menezes
ADMnext Offer Lead

Everest Group®

The Post-pandemic IT Playbook

A Digital Success Model for the Next Normal

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Alisha Mittal, Practice Director

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Introduction

The pandemic has had a profound impact on enterprises, and leaders have been pushed beyond their comfort zones to build a stronger foundation for their organizations that can sustain in the next-normal. Enterprise focus has shifted toward facilitating rapid innovation to address stakeholder expectations, infusing agility to adapt to the dynamic ecosystem, and building their businesses on the principles of security, strong governance, and sensitivity to social impact.

While these objectives may not be unprecedented, enterprises have conventionally found themselves short of achieving meaningful outcomes due to technological limitations and organizational constraints. Challenges such as lack of governance, cultural barriers, and non-conducive systems for innovation are often cited as the key barriers to successful transformation.

In this research, we examine these issues and recommend stretching the boundaries of digital transformation beyond siloed technology adoption. Digital interventions should take into account an organization's strategic considerations and involve investments in solutions that foster a change in mindsets. These enterprise-wide interventions can usher in meaningful successes and a sustainable momentum for transformation.

This report deep dives into two key interventions:

- Innovation mechanisms to enabling digital@scale: building an enterprise-wide intelligent innovation mechanism that enables the adoption of digital at scale
- Operating model considerations for digital@speed: an operating model that breaks organizational fiefdoms and creates a favorable environment for innovation to thrive and organizations to grow

We also recommend the journey that enterprises should undertake to realize these objectives and reap benefits from digital interventions.

Cracking the code to the next normal

Evolving enterprise objectives in a post-pandemic world

As the pandemic hit and enterprises struggled to adapt to the next normal, some found themselves better positioned to address the needs of their customers, while others realized the glaring gaps in their capabilities to survive. The pandemic also triggered a debate to define the next normal, including identifying changing customer preferences to enterprise objectives, operating procedures, and workforce management approaches. The next-normal operating model needs to stand the test of time, build sustainable business practices, and make enterprises adept for the future business ecosystem.

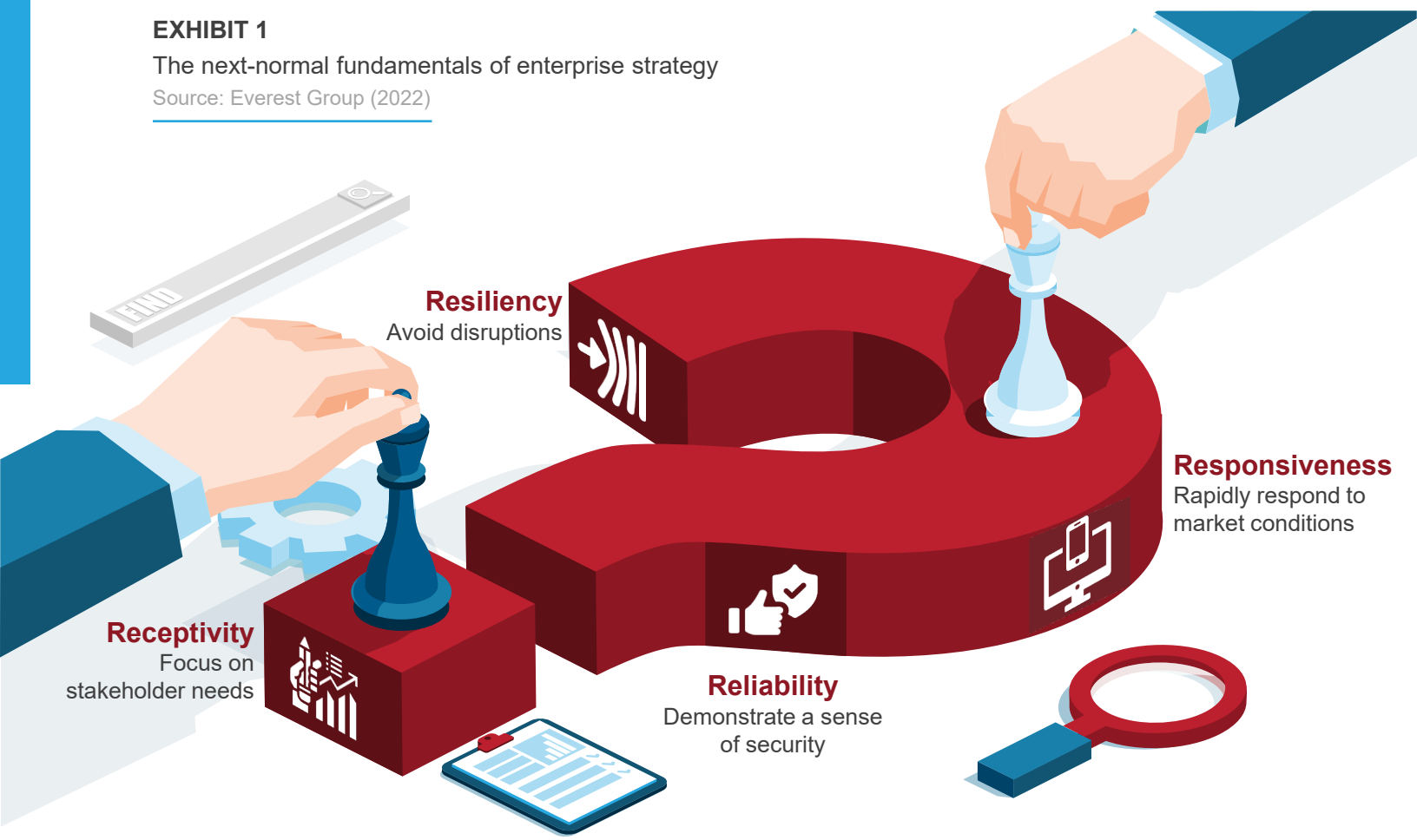
Five months into the pandemic, nearly 72% enterprises' key business concern was to accelerate/change their business models, respond faster to market requirements, and be agile.[1] The pandemic created an automation urgency for enterprises to improve productivity, optimize costs, and address mounting talent issues.

As we look at these emerging trends and analyze the key issues and broader objectives of enterprises today, we realize that enterprises are increasingly converging toward four fundamental themes – resiliency, responsiveness, reliability, and receptivity – as illustrated below.

EXHIBIT 1

The next-normal fundamentals of enterprise strategy

Source: Everest Group (2022)



1 Source: Everest Group survey with 200+ enterprise leaders

Resiliency

- Enterprises are working to adapt to the changing business environment and strengthen themselves to withstand future disruptions by introducing changes in operating strategy, channels to reach and serve customers/consumers, and partner ecosystems
- Building modern IT systems and transforming legacy infrastructure has been the key approach to build a resilient organizational backbone. More than 75% enterprises now want to eliminate wasteful processes and have started budgeting for modernization and related spend in their spend cycles. The underlying business objective is to enhance competitive advantage by leveraging modern technologies

Responsiveness

- During the pandemic, enterprises' appetite to build newer applications faster increased exponentially. The hybrid working model, coupled with digital channels for interactions, pushed enterprises to adopt an "e-business" approach, further fueling the need for speed
- Nearly 58% of enterprises accelerated agile/DevOps adoption during this time, and cloud-native engagements increased by 2.5X in 2020 alone

Reliability

- Technology adoption among enterprises led to a proportionate increase in cyberattacks during the pandemic.
- As enterprises are under immense scrutiny for their impact on the environment, people, and the larger society, they are becoming more cautious of running their technologies efficiently and effectively. Every CXO's agenda now includes minimizing the business' impact on the environment and building a sustainable future

Receptivity

- The focus on customer experience took center stage during the pandemic, with as many as 82% of enterprises investing in IT to improve customer experience. Two in every five digital initiatives in 2020 had AI as an enabling technology to drive personalized experiences for customers
- Remote working also led to a greater focus on stakeholder experience – ensuring employee engagement and simplifying partner management. Enterprises are fast adopting technologies such as analytics to uncover sentiments, offer personalized services/solutions and strategies for multi-channel engagement, and build connected end-to-end value chains for higher visibility and predictability

Preparing the IT organization for the post-pandemic world

Enterprise expectations today are pushing the boundaries of the IT and applications organization. In addition to demonstrating resiliency, reliability, responsiveness, and receptivity, they are looking to achieve hyper productivity, cost optimization, and continuous improvements from every technology adoption initiative.

The table below lists the technological imperatives and business objectives associated with enterprise strategies.

EXHIBIT 2

Key technological investments to achieve post-pandemic business objectives

Source: Everest Group (2022)

	Business priority	Technology imperatives
Resiliency	Strengthen the core to sustain	Build a strong IT foundation by digitalizing back-end systems and processes that power the organization: cloudification, application of next-generation technologies on legacy systems, modernization of core applications
Responsiveness	Be nimble and agile	Apply agile and DevOps principles, adopt code-driven technology systems, leverage tools to predict and prevent failures, adopt advanced automation and autonomous systems for rapid technology adoption
Reliability	Build a secure and responsible business	• Safeguard technology investments by investing in security systems and quality assurance • Ensure the robustness of systems that support smooth business functionalities and handle massive volumes of sensitive data, such as Personally Identifiable Information (PII) across supply chain, human capital management and other operations
Receptivity	Focus on stakeholder centricity	• Invest in customer relationship management (CRM) and customer data platform (CDP) systems, digital touchpoints, and multi-channel networks • Adopt data-driven decision-making and advanced analytics tools to enable hyper-personalization and enhanced experiences

Recognizing the gap between IT investments and digital transformation

Despite the focus on next-generation applications and capabilities, the proportion of struggling projects continued to increase. Enterprises, at times, give quality and security themes a short shrift in the haste to achieve speed-to-market, and leaders that lack strategic vision can render transformative efforts futile and unscalable.

The exhibit below showcases that most enterprises are unable to realize desired outcomes from their digital investments.

EXHIBIT 3

Share of enterprises that believe they have not been able to realize desired \outcomes from their digital investments

Source: Everest Group (2022)

~78%	~90%	~68%
of enterprise leaders believe they are **unable to derive insights** from their applications.	of enterprises agree that **legacy and monolithic applications** are a major impediment to their application services.	enterprises **have not realized the envisioned value** from their digital transformation initiatives.

As we uncover the issues that underlie these massive failures, we observe common patterns of enterprise challenges and limitations, as illustrated below, that impede the success, scalability, and sustainability of digital initiatives. Overall, the subdued value realization from digital initiatives can be attributed to a superficial and piece-meal technology investment approach as opposed to a holistic, organizational-level intervention that can orchestrate a sustainable transformation.

EXHIBIT 4

Key challenges to enterprise digital success

Source: Everest Group (2022)

63%	Lack of governance
62%	Non-conducive culture
53%	Change resistance
35%	Lack of support

Making the changes tangible by strategizing across digital success factors

Everest Group take

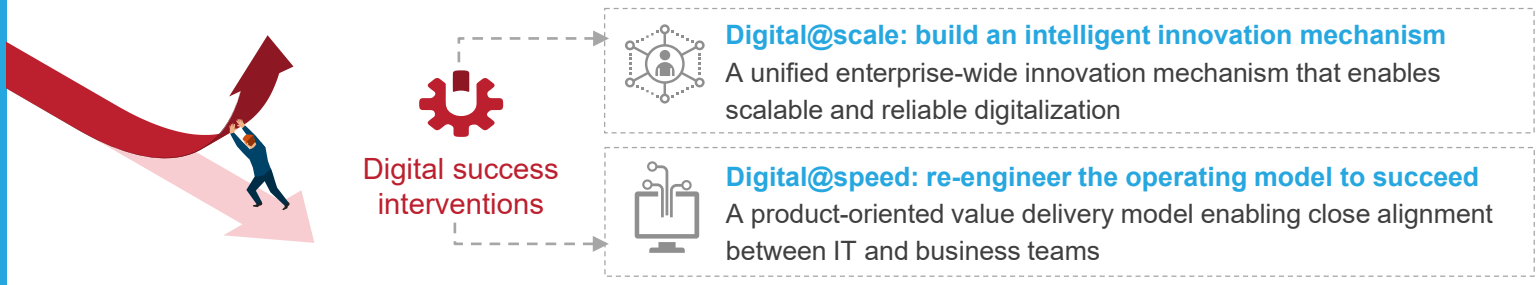
A siloed technology-oriented digital investment roadmap can barely address an organization's transformation objectives. Enterprises need to think of a holistic intervention that can support mindset shift, process adaptations, and continuous innovations in conjunction with technological investments. Planning the journey with interventions that traverse strategic decisions and technology investments can enable enterprises to achieve transformation that is scalable, sustainable, and successful.

The next normal requires enterprises to metamorphose various operating constructs and focus on dynamic adaptation to achieve the desired outcomes from their digital transformation initiatives.

EXHIBIT 5

Key interventions for post-pandemic digital success

Source: Everest Group (2022)



These ecosystem developments are further pushing enterprises to strategize technology adoption with focus on sustainability and scalability and consider the pandemic as an opportunity to introduce new operating constructs that can last beyond the current crisis.

Existing IT systems, operating procedures, and execution approaches need to evolve to drive digitalization in the post-pandemic world. While every industry may have unique needs in the next normal, certain fundamental investments can enable enterprises to make their digitalization efforts successful, scalable, and sustainable. These investments/interventions are described in the exhibit below.

> IT teams have had to pivot dozens of times since the start of the pandemic. There's little room for those who are stuck in old ways.
>
> – Lev Gonick, CIO, Arizona State University

Achieving success in digital initiatives requires an enterprise to optimize investments across these digital success mechanisms, as discussed below.

Digital@scale requires establishing an enterprise-wide intelligent innovation mechanism

Everest Group take

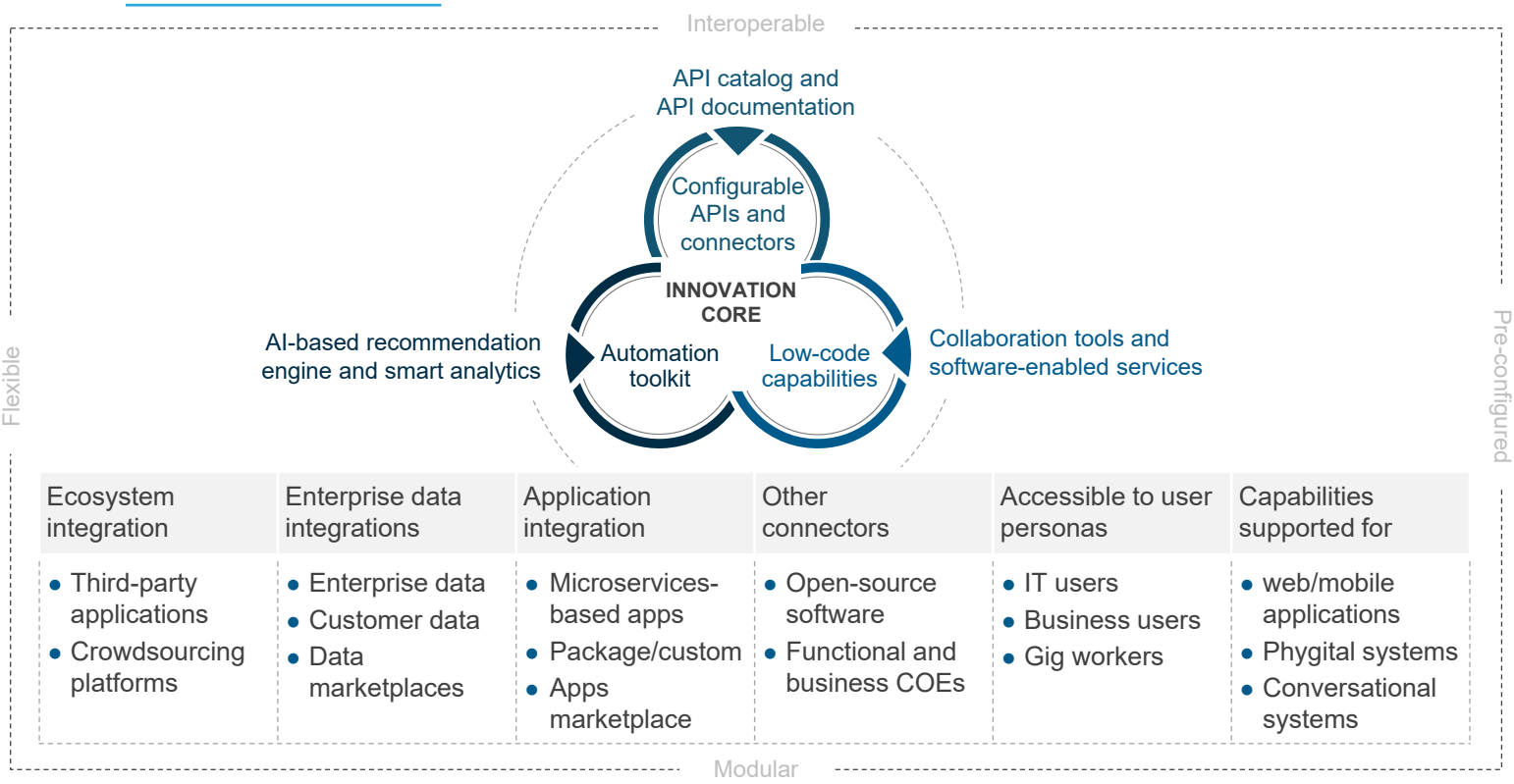
To constantly fuel the organization with innovation, a strong technology-oriented mechanism that enables the sharing, developing, and scaling of new ideas is needed. A modular, flexible, interoperable, and pre-configured set of capabilities accessible at the enterprise level can act as the foundation for rapid innovation at scale.

Siloed digital initiatives lead to a proliferation of technology solutions with limited collaboration opportunities, commercial disadvantage, and integration complexities, limiting synergistic value realization. To enable scalable digital transformation, organizations need an enterprise-wide innovation mechanism or an intelligent innovation mechanism, as depicted below.

EXHIBIT 6

Reference architecture for intelligent innovation mechanism

Source: Everest Group (2022)



This approach to digital transformation will act as the foundation for innovation and continuous improvement. The mechanism will be built on a core set of reusable and configurable capabilities; enable access to data, toolsets, and workflows; and establish consistent standards and guidelines, ensuring interoperability and security.

The capabilities need to be made available across the enterprise to democratize innovation and technology adoption. However, the IT organization must act as the system's custodian, overlooking its governance, maintenance, and security. The innovation mechanism not only enables best-in-class technology decisions for the organization, but also restructures its cost model via a consumption-linked approach to digitalization.

> Point-based solutions come with different architectures, technology versions, and upgrade cycles, and often lack interoperability. Having a cloud-native platform, with systems or modules talking to each other, allows better data flow, helping us evolve our standard operating models for accelerated transformation.
>
> – The CIO of a midsized healthcare plan

Components of the innovation core:

The innovation core is composed of reusable assets that enable a common technical foundation and adherence to standards and recommended procedures. This core provides flexibility and accelerated time-to-market. The core's key components are:

- **Automation toolkit:** Provides users access to a common pool of automation tools and solutions; it also enables rapid deployment to automate workflows and processes
- **Configurable APIs and connectors:** Ensures seamless integration with the core business software and third-party applications, without requiring architectural changes; the APIs enable a common set of functionalities, which can be customized, configured, and extended to suit specific needs
- **Low-code capabilities:** Enables rapid development and deployment of new capabilities and their reusability across the organization, with limited dependency on the central IT organization

In addition, enterprises should enable complementary capabilities that strengthen the core's functionality, such as:

- **An AI-based recommendation engine:** for ease of access to the automation suite and APIs, and low-code templates and modules to enable a data- and intelligence-driven enterprise

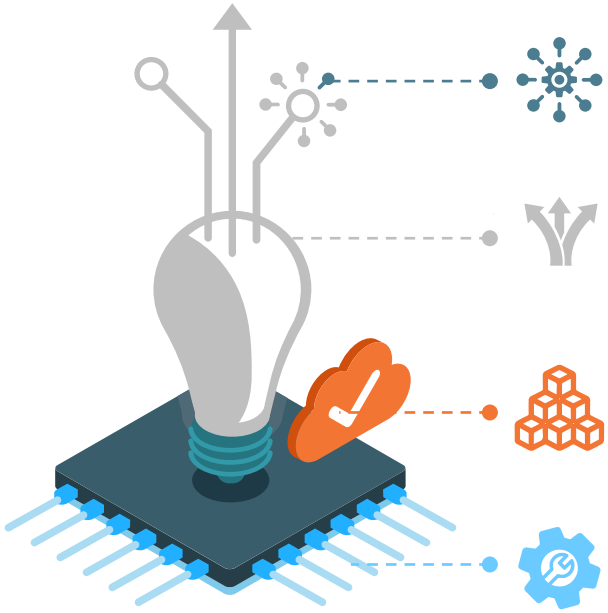
- **API catalog and documentation:** enables ease of discovery and access to all kinds of APIs and supporting documentation to use the APIs, including technical documents and pricing-related information
- **Collaboration tools and software-enabled services:** are paramount to leverage these core capabilities at scale across the organization, for ease of communication, knowledge-sharing, issue logging, and resolution

The characteristics of an intelligent innovation mechanism are listed below.

EXHIBIT 7

Characteristics of an intelligent innovation mechanism

Source: Everest Group (2022)



Interoperable: access to capabilities and solutions from affiliate partners that align with the enterprises' business dynamics and expectations; solutions built on enterprise-preferred capabilities across the technology stack enable seamless interoperability

Flexible: flexible architecture to enable enterprises to add features and functionalities as per need, without making architectural changes; open or configurable APIs ensure seamless integration, avoiding version and vendor lock-ins

Modular: enables the leverage of best-of-breed cloud-native components, which allows incremental adoption over grounds-up transformational solution development; it also enables better scalability and ease of integration

Pre-configured: offers a common set of pre-existing functionalities that can be customized, configured, and extended per enterprise requirements. The structure helps avoid high upfront costs and time-to-market over a bespoke solution

Key benefits of the model

In addition to its core benefits of better scalability, interoperability, and performance, the innovation mechanism approach can help enterprises drive:

- **Faster decision-making:** By enabling access to data, users, and third-party platforms in a consolidated manner and building solutions that are interoperable, the intelligent innovation mechanism enables rapid interpretation of structured and unstructured data for informed decision-making
- **Process efficiencies:** The intelligent innovation mechanism offers a one-stop solution toolkit, modular service components, and technology solutions (access to low-code platforms, pre-configured functionalities) for rapid process automation supported by AI-powered recommendations for productivity and efficiency enhancements

- **Stakeholder experience:** A unified interface to drive business unit-level to enterprise-grade initiatives enables a consistent experience for IT and non-IT employees and provides an interface through which IT and business teams can interact and orchestrate the platform

Recommendations to enterprises

Adopting this model requires taking pragmatic steps by enterprises as described below:

- Treat innovation development and scaling with equal rigor but as separate entities; the former requires blue-sky thinking, while the latter entails viability and feasibility checks
- Aim for breakthrough value creation with partners for a creative, sustainable, and cutting-edge innovation mechanism conceptualization
- Build a network of technology partners to access enterprise-grade, best-in-class capability solutions that are readily deployable and scalable
- Engage with credible service partners to ensure talent availability for continuous enhancement, governance, and management of the mechanism

Digital@speed requires the blurring of traditional organizational territories and establishing an integrated operating model

Everest Group take

Digital transformation at speed requires technology investments in sync with business objectives. Achieving this alignment at scale calls for a meaningful shift in an organization's operating constructs. IT organizations need to assume a shared ownership of products with business and, at the same time, drive cooperation with the broader IT organization to ensure the model's flexibility and scalability.

Given rapid technology changes, there is a pressing need to better understand business requirements and align the IT organization with them. This alignment will need cohesive initiatives and have a proportionate impact on ownership, people, processes, and initiative funding.

The innovation mechanism outlined above needs to be supported by an innovation-first culture, which combines team-level initiatives and involves collaboration between business and other IT teams.

Enterprises need to evolve on two key parameters to build a culture of innovation:

- **Business and IT alignment**
  Traditionally, in most organizations, a horizontal IT function exists, and the core business team functions as a distinct unit with limited collaboration. As a result, businesses try to derive value through ad-hoc projects, leading to shadow IT, non-scalable innovation, and the adoption of technology in separate pockets across the organization. The ownership of such initiatives and funding is not clearly defined.

The innovation-first culture requires enterprises to adopt a product-oriented construct, driving better business and IT alignment. Embedding IT teams within businesses is expected to drive technology adeptness and higher appreciation of IT's contribution.

- **Team design**

  IT teams in traditional constructs are designed based on skill-set requirements. The horizontal IT function hosts a large part of the talent pool for specific capabilities and the team works on responsibilities as defined by the business.

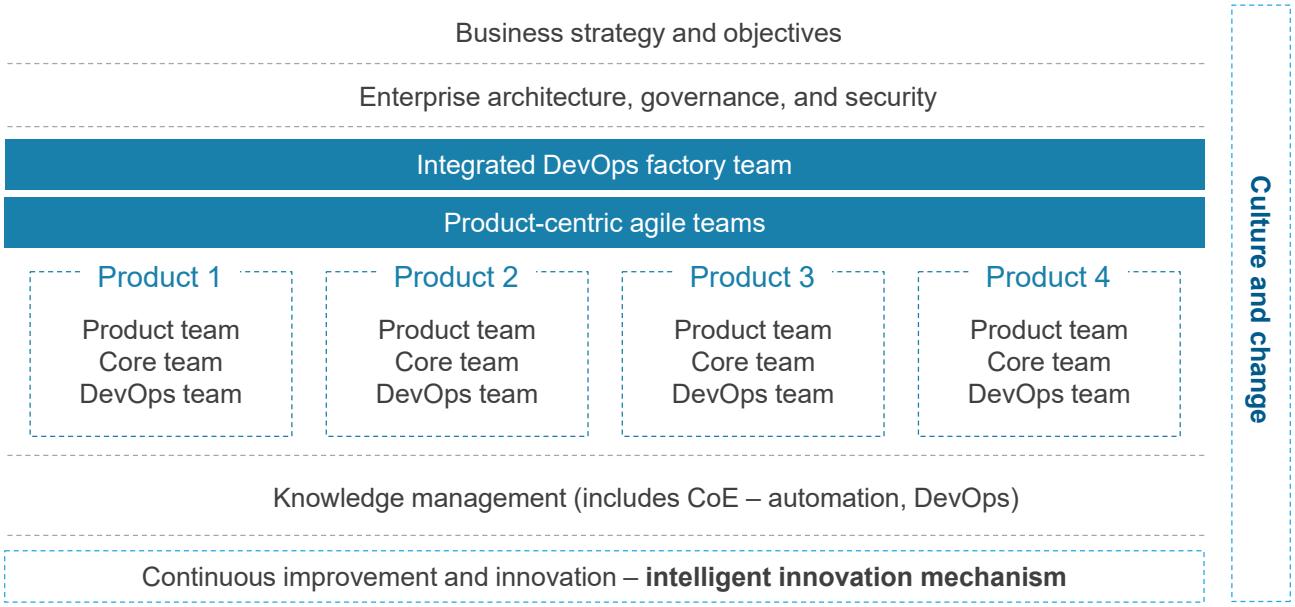
  In the innovation-first culture, capability teams should be institutionalized as squads and tribes with varying team sizes collectively responsible for business and program management. Each of these teams need be aligned and committed to the product life cycle. To scale the team, enterprises should leverage a shared pool of cross-functional experts.

  The exhibit below depicts the operating model for post-pandemic scaled digital adoption.

EXHIBIT 8

The operating model for post-pandemic scaled digital adoption

Source: Everest Group (2022)



Key benefits of the model

- Product quality improves as a single team bears end-to-end responsibility
- The model ensures the highest degree of responsiveness, as the product team has limited dependency on other teams
- With transmission, knowledge loss is restricted and innovation gains traction

Recommendations to enterprises

Enterprises need to make two key changes in their organizational constructs to achieve objectives of digital@speed:

- **Structuring as a product-centric agile team**
  Reorient into a product-centric business model for close alignment between IT and business objectives, faster time-to-market with agile processes, and shared ownership of outcomes and risks; the product team comprises the core team (CoE equivalent) and a DevOps team
- **Establishing an integrated DevOps factory**
  A pool of resources with strong technical capabilities to facilitate flexibility in DevOps requirements across the enterprise

Cultural change for digital success

While implementing changes to enable digital@scale and digital@speed, enterprises must also factor in the softer aspects of mindset and cultural change within the organization.

Traditionally, enterprises either over-centralized or over-decentralized IT teams with poor spend accountability. They have undertaken “techno-functional” transformation initiatives for the workforce, and their success rate has been quite low.

To achieve an innovation-first culture, the IT organization should move to a leaner structure, with better governance as its core objective. It needs to encourage pragmatic risk-taking and back it with appropriate funding.

The organizational culture and philosophy needs to be centered on the themes of collaboration, accountability, and impact.

- **Collaboration:** shared goals and incentives to promote collaboration within IT and between IT and the business
- **Accountability:** well-defined accountability focused on intended business benefits
- **Impact:** focus on building teams and processes to create tangible impact by taking pragmatic risks

A sharp focus on these cultural values within the organization can help create teams with shared passions and the capability to innovate.

Enterprises need to take a pragmatic approach to designing these product teams and DevOps factors based on their digitalization agendas. At the same time, enterprises need to adopt a learning culture with a continuous improvement mindset assuming that the evolving ecosystem will render some initiatives unfeasible from time to time.

Co-investing with partners to realize this model is vital for ensuring the model’s scalability and availability of trained and deployable talent.

Adopting a product-oriented operating model is a mindset change as much as a structural re-orientation. Enterprises need to have a performance-oriented and innovation-centric approach that reflects in their vision, organizational structure, and talent, service, and sourcing models.

Conclusion

As the global economy slowly emerges from the COVID-19 pandemic, enterprises realize the pressing need to reevaluate their business and IT strategies to make themselves future-ready.

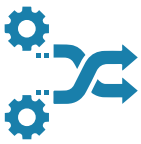
The first step in this change is to determine the need and quantum of change. Enterprises should assess their readiness to support innovation and digitalization at scale and at speed. The second step is to implement the required changes to plug the capability gaps. This implementation will require clarity of vision and changes in operating constructs to build and drive an enterprise-wide innovation mechanism. The third and final step is to sustain the changes, which entails defining a talent strategy and a strong governance mechanism and metrics to measure the initiatives' success and continue the change momentum.

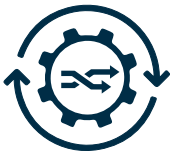
The exhibit below illustrates our recommended enterprise journey to post-pandemic readiness.

EXHIBIT 9

Enterprise journey to post-pandemic readiness

Source: Everest Group (2022)





Assess need for change	Implementing the changes	Sustaining the changes
Assessing the maturity of the enterprise to support digital at scale and at speed	**Establish an innovation backbone and re-design the operating environment**	**Build the necessary ecosystem support to ensure the changes are tangible**
Enterprises will need to question themselves on: • What is our mechanism to support digital adoption at scale? • Does our operating model support digital adoption at speed? • How do we compare against the best-in-class and where are the gaps?	Enterprises will need to question themselves on: • What should be our vision for this investment considering our business environment? • What are the capabilities we want to arm our organization with to trigger innovation? • What should be our sourcing strategy- what to outsource versus keep in-house?	Enterprises will need to question themselves on: • What should be our talent strategy to ensure continuous improvement? • How do we measure success and what should be the governance mechanism?

As enterprises brace themselves for a post-pandemic world, a mindset of organizational transformation rather than digital change will help position them for success.

Everest Group®
With you on the journey

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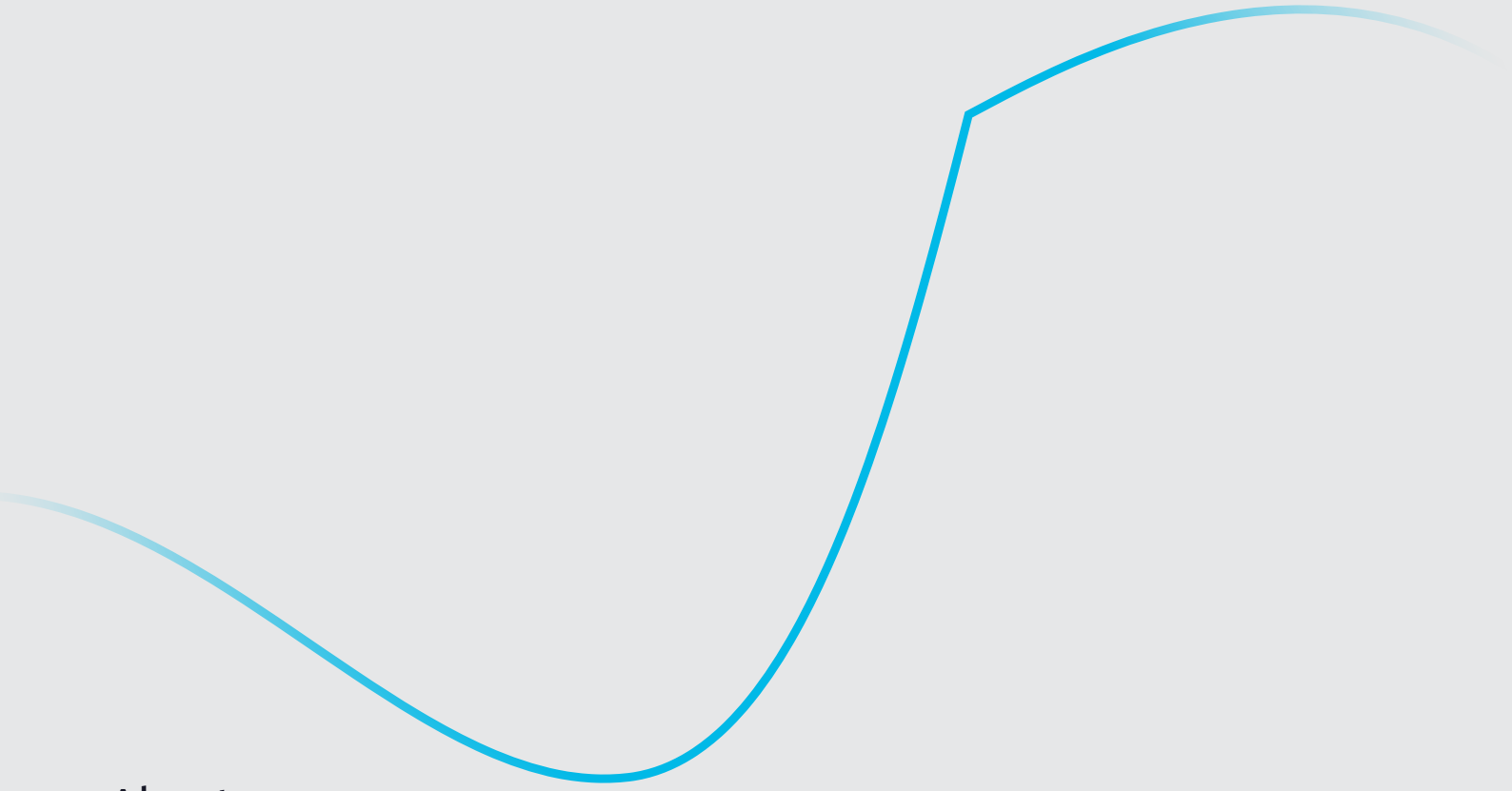

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