The Organization of IT in 2020: Digital Transformation!

kobaltblau study

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CONSULTANTS EN MANAGEMENT

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Summary

1 **The characteristics of the organizations participating to the study**

2 **Current situation and perspectives of IT organizations**

3 **The levers of digital transformation**

4 **Agile, DevOps and the reallocation of responsibilities**

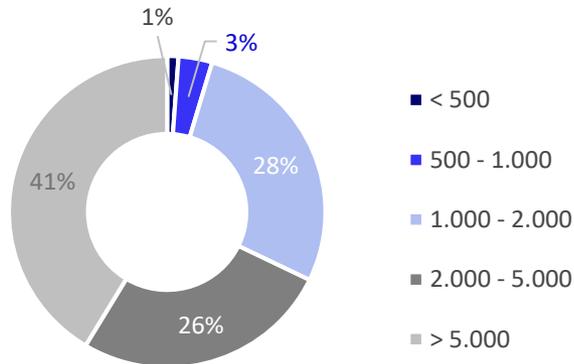5 **5 recommendations for a successful digital transformation**
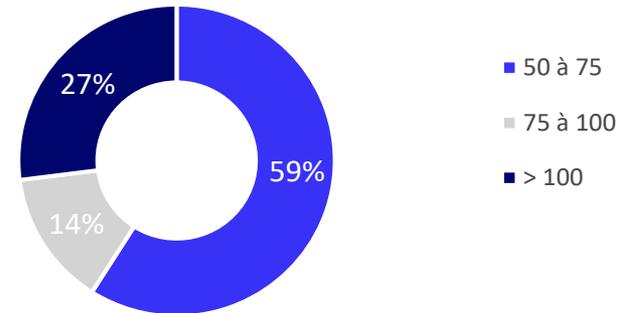
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The characteristics of the organizations participating to the study

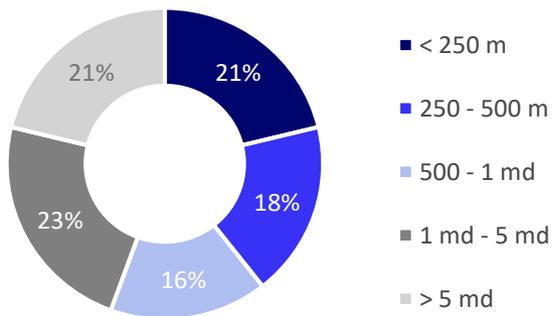# Nearly a hundred companies of all sizes and sectors have responded to our survey

Number of employees in the company

1%
3%
28%
41%
26%

- ■ < 500
- ■ 500 - 1.000
- ■ 1.000 - 2.000
- ■ 2.000 - 5.000
- ■ > 5.000

Number of employees in IT department

27%
59%
14%

- ■ 50 à 75
- ■ 75 à 100
- ■ > 100

Breakdown by turnover (in EUR)

21%
21%
18%
23%
16%

- ■ < 250 m
- ■ 250 - 500 m
- ■ 500 - 1 md
- ■ 1 md - 5 md
- ■ > 5 md

IT budget vs. turnover ratio

13%
24%
18%
30%
25%

- ■ < 1 %
- ■ 1-2 %
- ■ 2-3%
- ■ 3-5%
- ■ > 5%

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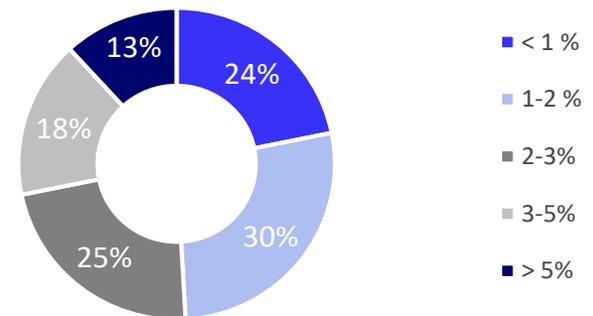
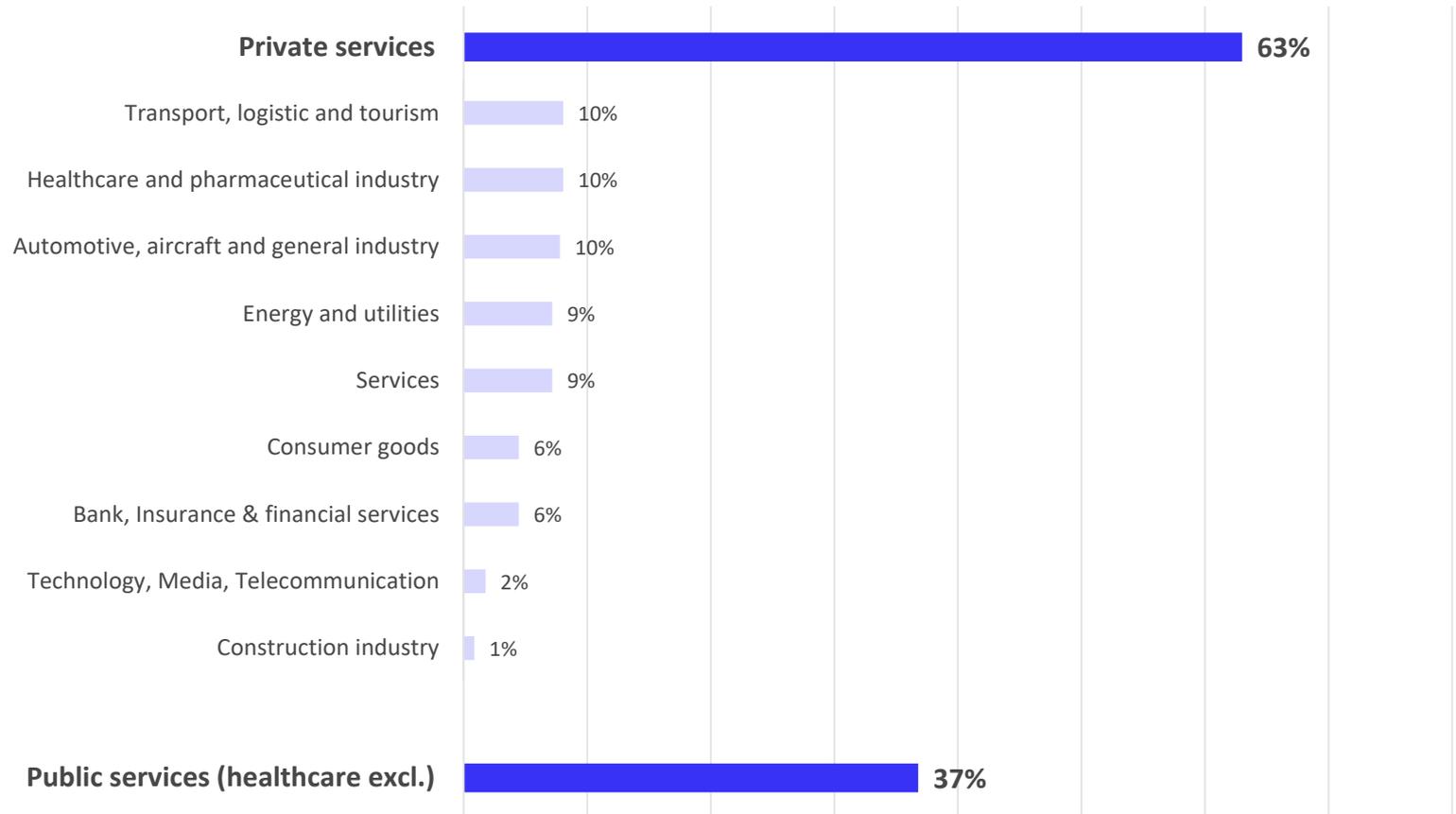# Private companies, from all sectors, represent nearly two thirds of respondents

Distribution of respondents by activity sector

| Sector	Percentage
Private services	**63%**
Transport, logistic and tourism	10%
Healthcare and pharmaceutical industry	10%
Automotive, aircraft and general industry	10%
Energy and utilities	9%
Services	9%
Consumer goods	6%
Bank, Insurance & financial services	6%
Technology, Media, Telecommunication	2%
Construction industry	1%
Public services (healthcare excl.)	**37%**

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Current situation and perspectives of IT organizations

Digitalization requires a transformation of the IT departments role, whose role must be strengthened as "service aggregators" and "innovators".

Role of IT department
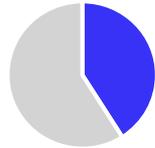
"The IT department is a service provider"
The IT department is responsible for the provision and integration of IT services and infrastructure
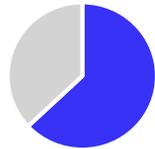
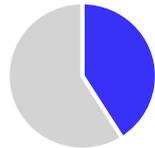**63%**

"The IT department is the Business"
IT is an integral part of the company's products or services. These products cannot be redesigned without the IT department.

41%

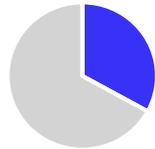### "The IT department is the Digital Business Partner"
The IT is the driving force for the digitalization, standardization and optimization of processes

41%

"The IT department is a service broker/aggregator"
The IT department is an aggregator of IT, digital and business services that are produced internally and externally (Cloud)

33%

"The IT department is the innovation driving force"
The IT proactively influences business transformations through IT innovation

29%

Analysis

› CIOs primarily consider the IT department as service provider according to almost two-thirds of respondents (63%).

› More than a third of respondents (41%) consider IT department to be an integral part of the business.

› The role of the CIO / IT department in the business, according to more than a third of the respondents (41%), is above all the collaborator for the digitalization of processes.

› However, only one-third of CIOs (33%) see IT departments as aggregators of IT, digital and business services and less than one-third of CIOs (29%) define IT departments as innovation drivers.

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The Cloud promotes growth of outsourced services share in the IT budget

Proportion of outsourced services

+ 18 %

33%

67%

61%

39%

- 2018 -

- 2020 -

■ Outsourced IT Budget
■ Internal IT Budget
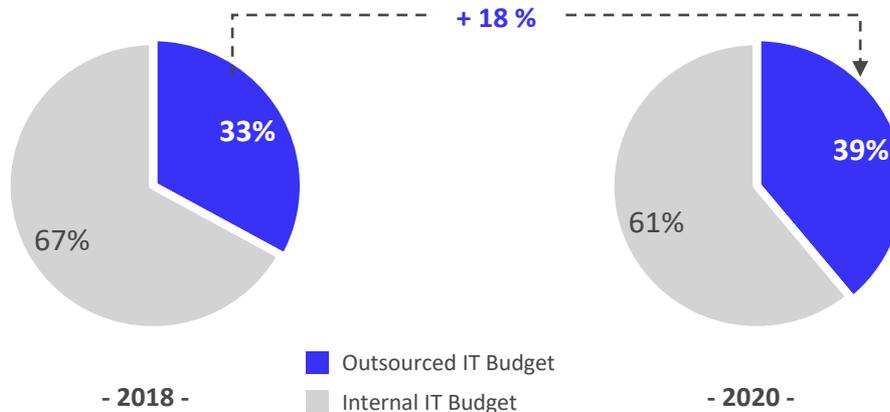
Analysis

› Service outsourcing will continue to grow in IT departments with an increase of 18% by 2020 in proportion to the dedicated budget.

› This increase in service outsourcing is driven particularly by the Cloud, whose IT budget share will grow by 55% by 2020, from 9% to 14%.

Proportion Cloud Services in IT Budget

+ 55 %

9%

24%

67%

14%

25%

61%

- 2018 -

- 2020 -

■ IT Budget - Cloud
■ External IT Budget - Other
■ Internal IT Budget

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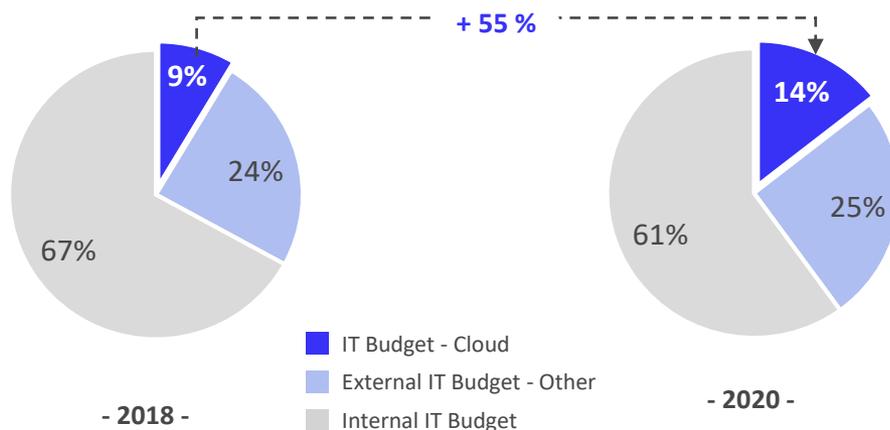
The Cloud is diversifying towards infrastructure and platform outsourcing (IaaS & PaaS)

Distribution of Cloud types

Cloud share IT budget: 14%

14,0%	IaaS
14,0%	PaaS
70,0%	SaaS
2,0%	BPaaS

- 2020 -

Cloud share IT budget: 9%

10,0%	
8,0%	
79,0%	
3,0%	

- 2018 -

+40%

+70%
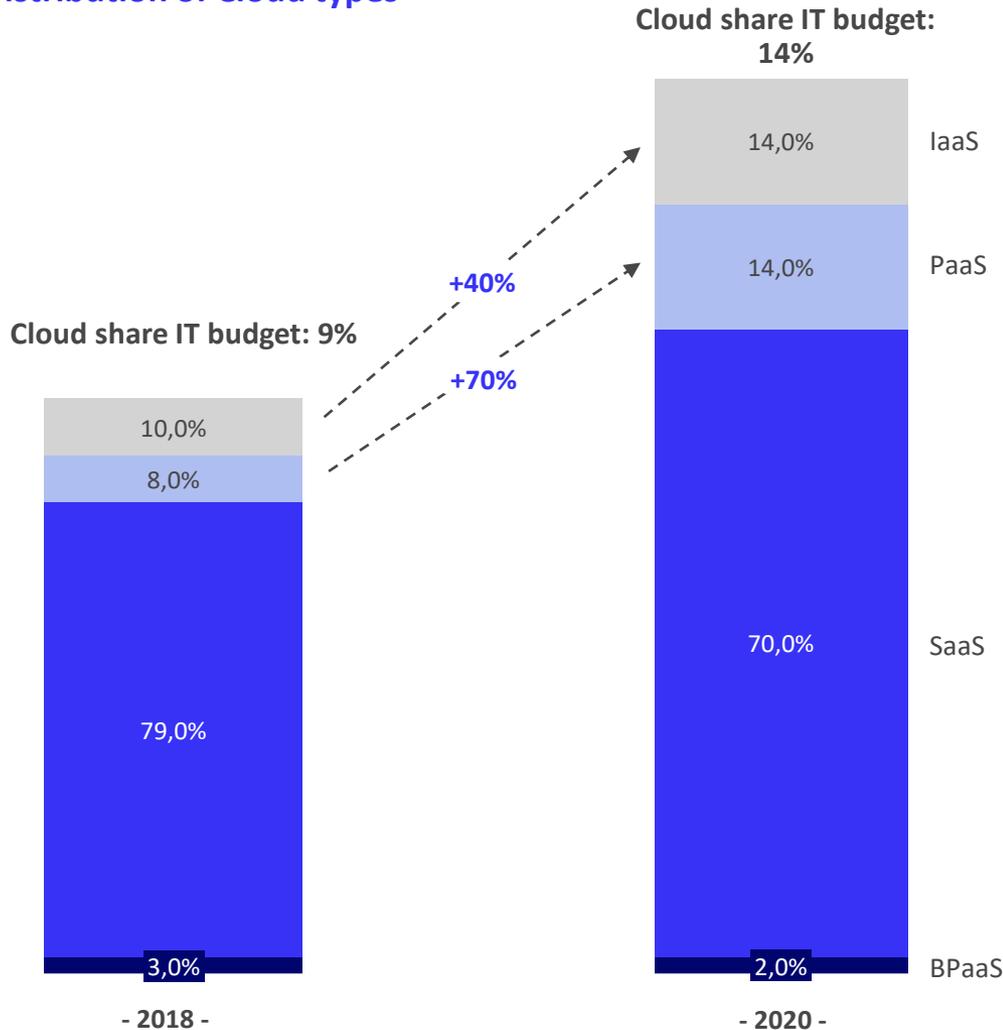
Analysis

› The whole Cloud is growing but the distribution in proportion to the types of cloud is changing.

› The proportions of IaaS and PaaS will increase significantly by 2020 with growth of 40% and 70% respectively.

› SaaS still remains dominant and will represent 70% of Cloud sourcing in IT Departments by 2020.

› The BPaaS remains a minority today and will continue to be in 2020.

IaaS = Infrastructure as a Service: storage, servers, OS
PaaS = Platform as a Service: database, middleware, runtime
SaaS = Software as a service: applications, data
BPaaS = Business Process as a Service

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Digitalization reinforces the development of IT Departments in a service and project orientation supported by the business lines

IT department staff function and changes by 2020

Function	%
Application development / maintenance	22% ⬆
IT project management	22% ⬆
IT service desk	17%
Infrastructure development	17% ⬇
IT governance and general management	12%
Infrastructure operation & administration	11% ⬇

⬆ *Increase by 2020*
⬇ *Decrease by 2020*
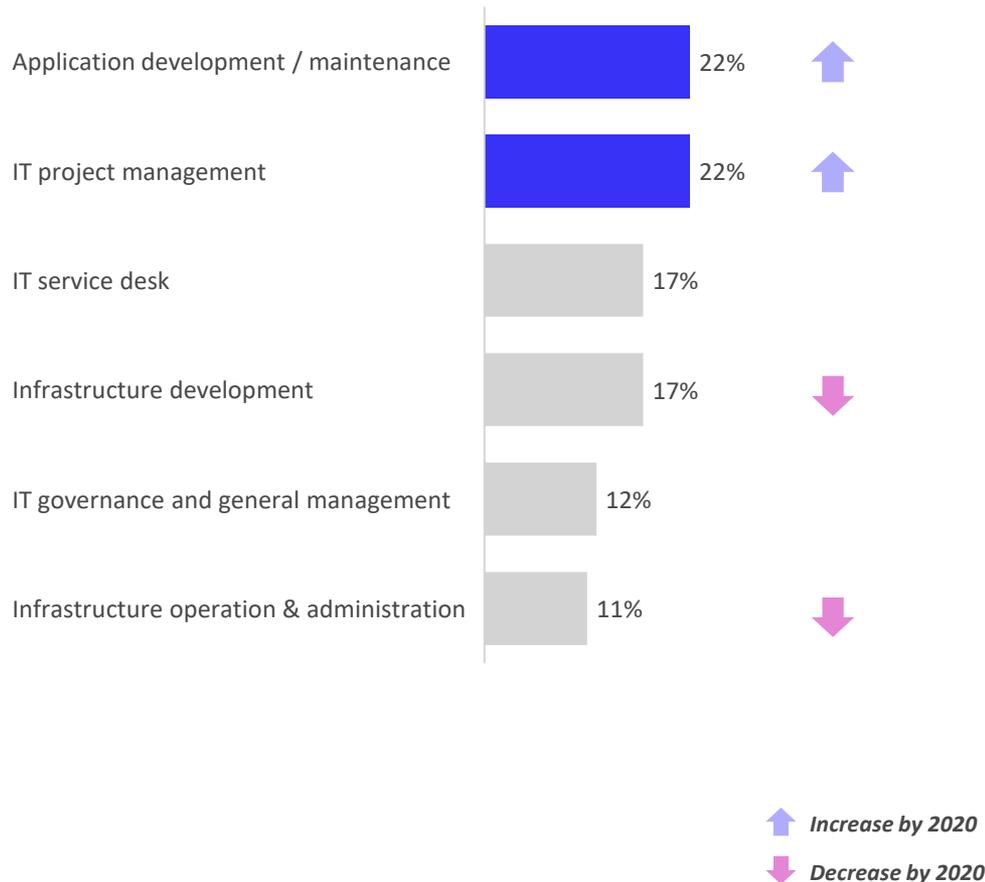
Analysis

› Presently, as in the future, IT departments are focusing on the maintenance and evolution of their applications to support and accelerate the digital transformation of the business.

› Accompanied with this trend is the evolution in regard to the number of team members interfacing with the business structure.

› On the other hand, the size of the infrastructure administration and development teams will decrease by 2020; a coherent development in regard to the increase of the use of the Cloud (PaaS / IaaS in particular) seen above.

› Finally, the other IT functions staff: IT governance, general management, support functions; they remain stable.

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3 The levers of digital transformation

Half of IT departments must continue to improve their organization in order to achieve digital transformation

Is your IT department sufficiently organized to deal with digital transformation?

51%

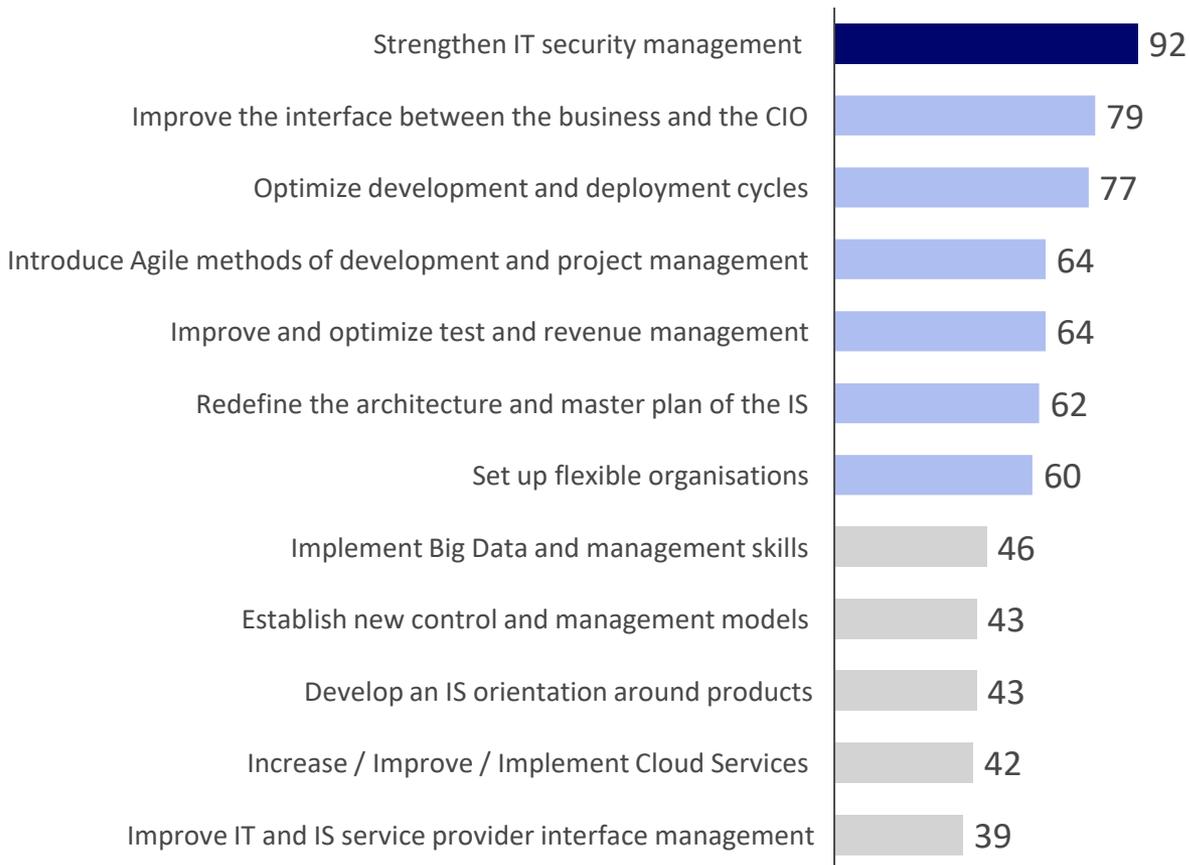|	
Not at all	3
Insufficiently	5
Partly	43%
Appropriately	21%
For the most part	24%
Perfectly	5%
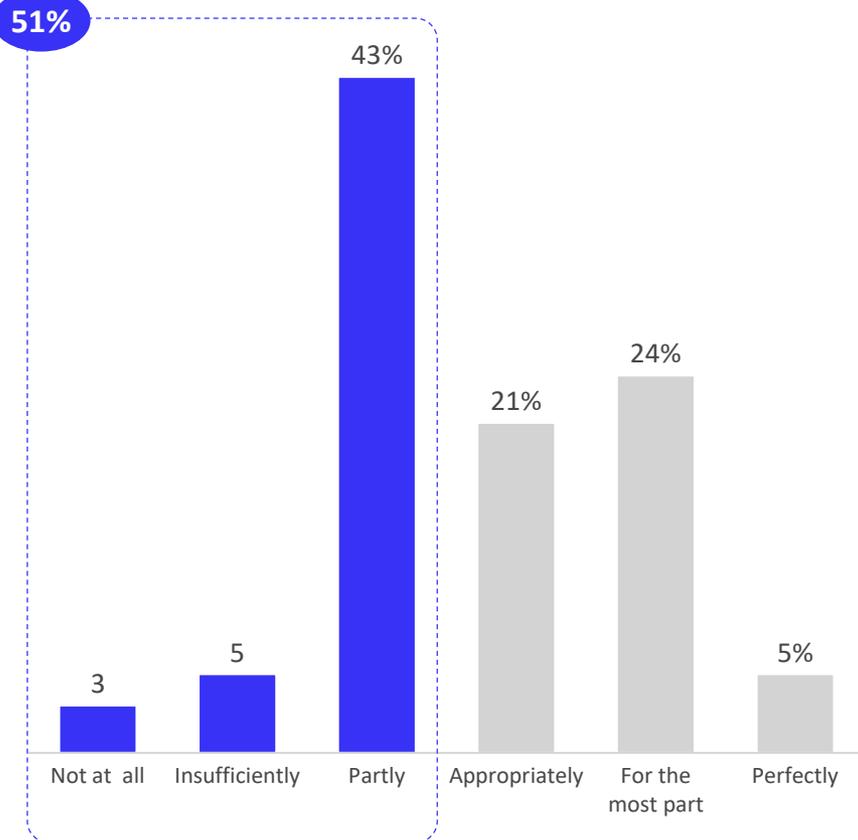
Analysis

› The main areas for improvement mentioned by the CIOs are:

  › The IT department organisation

  › The relationship with the people involved in the business

  › The responsibility of digitalization implementation in the company

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Within the context of controlled IT security, the levers of digital transformation include the development of applications and relations with the business structure

The action levers for digital transformation

% of participants identifying the item as a lever

Lever	%
Strengthen IT security management	92
Improve the interface between the business and the CIO	79
Optimize development and deployment cycles	77
Introduce Agile methods of development and project management	64
Improve and optimize test and revenue management	64
Redefine the architecture and master plan of the IS	62
Set up flexible organisations	60
Implement Big Data and management skills	46
Establish new control and management models	43
Develop an IS orientation around products	43
Increase / Improve / Implement Cloud Services	42
Improve IT and IS service provider interface management	39

Analysis

› Security is necessary for a successful digital transformation.

› The main levers for action relate to organizational issues concerning either the relationship with the business lines (e.g. improving the interface with the business lines) or internal operations (e.g. optimizing development cycles).

› Finally, "technology" topics: Big Data, Innovation, Cloud; are rarely mentioned, reflecting confidence in the ability to address new topics in terms of technical skills.
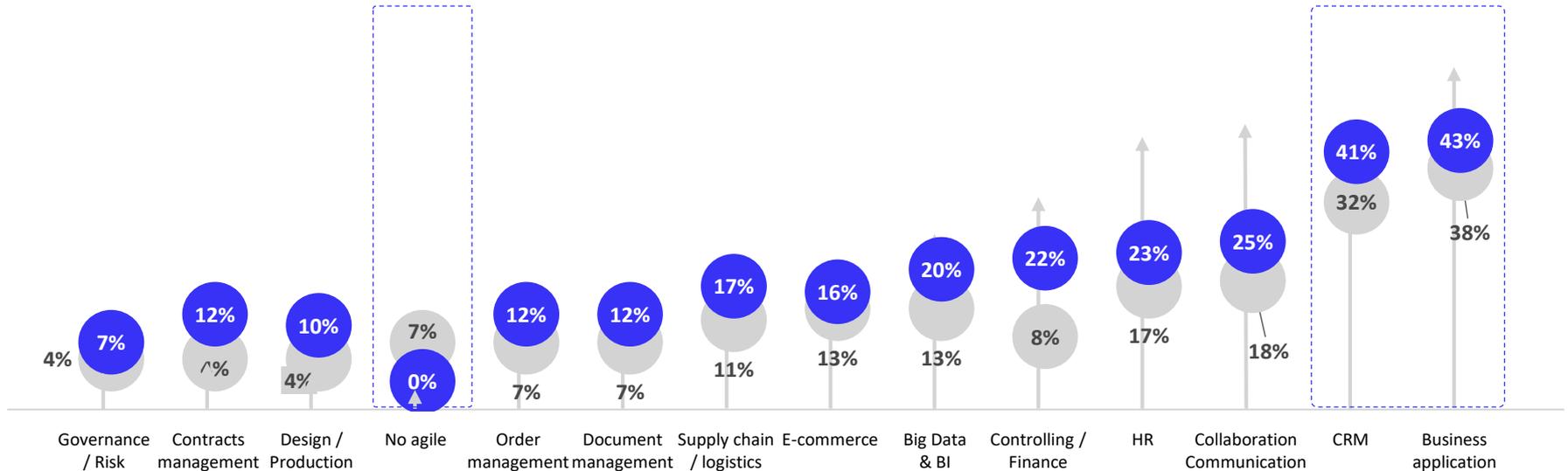
4 Agile, DevOps and the reallocation of responsibilities

The proximity between the IT department and the business structure leads to a generalization of Agile development methods

Proportion of Agile development implementation according to application type

● 2020   ● - 2018 -

Chart data (2020 / 2018):
- Governance / Risk: 7% / 4%
- Contracts management: 12% / ^%
- Design / Production: 10% / 4%
- No agile: 0% / 7%
- Order management: 12% / 7%
- Document management: 12% / 7%
- Supply chain / logistics: 17% / 11%
- E-commerce: 16% / 13%
- Big Data & BI: 20% / 13%
- Controlling / Finance: 22% / 8%
- HR: 23% / 17%
- Collaboration Communication: 25% / 18%
- CRM: 41% / 32%
- Business application: 43% / 38%

Analysis

› The Agile structures implementation for development has become more democratic: all companies will use agile for at least one type of application development by 2020. Only 7% of companies do not use agile today.

› With the promotion of Agile methods, the question for CIOs thus arises: how to implement the Agile method in the company and its potential impacts on relations with stakeholders (business lines, partners, suppliers, etc.).

› Finally, it appears that Agile development structures are currently, as will be in 2020, mainly set up for applications assimilating with the customer (business and CRM).

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The Cloud growth for all types of applications reinforces the role of IT department as a guarantor of IT consistency and as a service aggregator

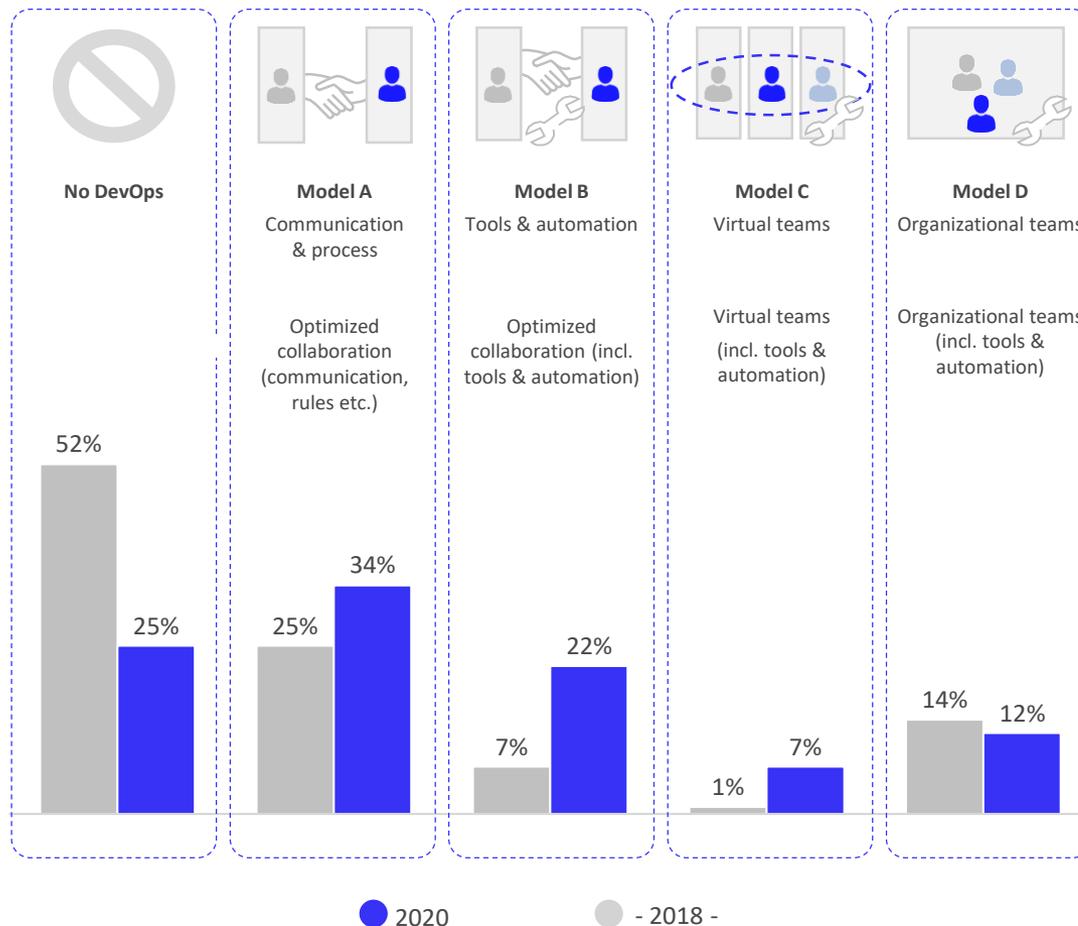**Proportion of external cloud solution use according to application type**

● 2020   ● - 2018 -
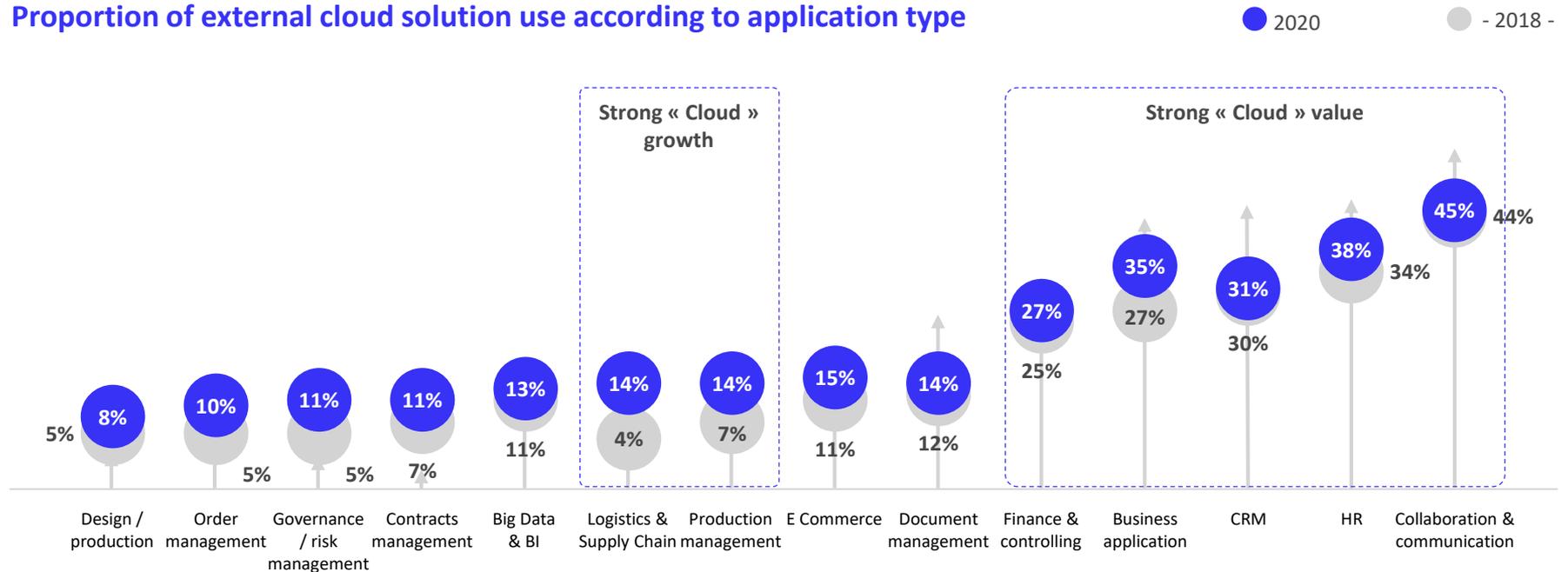
Analysis

› The Cloud growth is persistent with all types of applications.

› The challenge IT Departments face is to increase their proximity to the business lines to support the choice of cloud solutions and be able to guarantee the proper integration of solutions and the overall consistency of the information system.

› The strong Cloud potential of certain types of applications: business, CRM, collaboration, etc. is growing by 2020 and logistics applications (such as "Supply Chain" and "Production Management") are showing strong growth potential of the use of the Cloud by 2020.

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DevOps translates into IT departments through the implementation of tools, automation and improved organization / cooperation

% of IT departments who have adopted a DevOps structure or are planning to set up one soon

No DevOps	Model A	Model B	Model C	Model D
	Communication & process	Tools & automation	Virtual teams	Organizational teams
	Optimized collaboration (communication, rules etc.)	Optimized collaboration (incl. tools & automation)	Virtual teams (incl. tools & automation)	Organizational teams (incl. tools & automation)
52% / 25%	25% / 34%	7% / 22%	1% / 7%	14% / 12%

● 2020   ○ - 2018 -

Analysis

› Today, DevOps remain poorly implemented in companies: more than half of the companies (52%) do not have an implemented DevOps structure.

› However, a quarter of the companies already have an optimized collaborative/communicative work mode between development and operations due to the implementation of rules and processes.

› The majority of the preferred DevOps models to be used by 2020 already form the majority today: optimized collaboration via rules/processes (from 25% to 34%) or improved collaboration due to specific tools and automation (7% to 22%).

› The popularity of the dedicated DevOps team model remains relatively stable with a slight decrease of 2% while the virtual team structure (7%) is now almost non-existent.

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5 recommendations for a successful digital transformation

5 recommendations for a successful digital transformation

1   **Place digitalization at the heart of a business strategy**
Define shared objectives within the company

2   **Strengthen the role of the CIO as a service aggregator**
Anticipate business requirements and solutions to be implemented with a coherent master plan

3   **Optimize the interface between the CIO and the business structure**
Set up collaboration processes, the implementation of dedicated tools and automation or the implementation of DevOps structures

4   **Increase the company's agility**
Gradually build agile teams with the right mix of coaching, requirements and degrees of freedom

5   **Recruiting employees to face the challenges of tomorrow**
Support cultural change (Agile, Cloud, DevOps, etc.), the development of interfaces with business structure and the management of multi-provider outsourced services