Digital Transformations (DX)

In this presentation – the first in a series – we will cover:

Digital Transformation: What is it? (And why should I do it?)

What are the roadblocks? (And how do I get around them?)

How do I get started?

Your Presenters

Jim "JC" Carroll is Chief Revenue Officer for Tellennium and **Chris Donlan**, is a MicroCorp Solutions Architect.

JC is founder of a company that introduced the first SaaS platform in this industry to help enterprises manage their mobile devices and expenses and has expanded his expertise to other enterprise assets and expenses.

With 25 years of experience in IT and communications, Chris specializes in digital transformation and helps businesses change the way they are doing business to become more efficient because of how they manage their IT assets and expenses.

Defining Digital Transformation (DX)

According to George Westman, a principal research scientist at MIT, "Digital transformation marks a radical rethinking of how an organization uses technology, people and processes to fundamentally change business performance."

Using that as a baseline, the idea is to use technology to not just replicate an existing service in a digital form, but to use technology to transform that service into something significantly better. Digital transformation involves using digital technologies to remake a process to become more efficient and/or effective.

The idea is to leverage technology to fundamentally change how the business operates. So, it's still a very nebulous idea, but organizations can and should leverage their technologies to better engage with their internal and external customers.

To be a successful strategy, DX will certainly need to cross over the entire organization to be effective. It's a broad cross-functional strategy. It's not just impacting IT, but we're also talking about marketing, finance, HR, R & D, sales – all the critical departments of a business that make it run like a well-oiled machine.

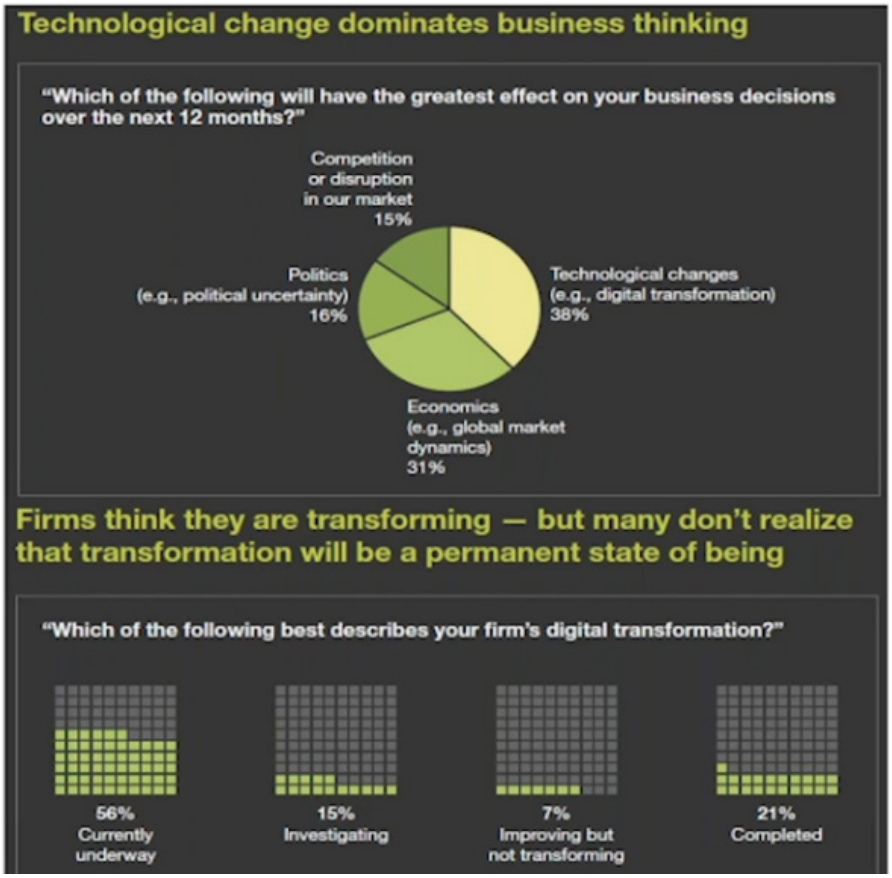
Digital transformation is the process of integrating digital technology into all aspects of business, requiring fundamental changes in technology, culture, operations and value delivery.

Much more than a fad: A state of being

It's all about driving efficiency internally, and a better experience for internal customers as well. If you look at the statistics and the numbers, 40% of all technology spending is going to

go toward digital transformation and enterprises are looking to spend an excess of $2 trillion through 2019, according to some analysts at the IDC, so it's clearly not a fad – it's a fundamental change in how business is going to proceed going forward.

Enterprises are progressing with these strategies. Studies show there is progress and some businesses are currently underway. Some are investigating and some are improving, but not necessarily transforming themselves. Some have completed the transformation. A lot of enterprises are looking at it as a project, not a permanent state of being or a culture shift that I think it's going to be. It's just a matter of time.



DX Strategy Drivers

It is all is about **efficiency** and critical business issues.

It really isn't a technology conversation per se, but we talk about **unlocking data silos**. Businesses typically can be very, very siloed in terms of data, analytics, and reporting.

Customer satisfaction. Always high on a business's list.

New revenue streams. How do I quickly and efficiently get a new revenue stream if I have a revenue stream where profitability is shrinking?

Information on the go. We are a mobile community now and people are living off mobile phones, so that's a critical issue. Everybody needs increased connectivity of everything. Everybody needs to be connected to everything: information analytics, processes, people, and so on. There's no way an organization can create more efficiency and higher profit margins than utilizing technology and intelligent work processes for a critical restructuring of how they are doing business.

Connecting the frontline with the executive office. Processes, technology, and so on are changing. Executives are much better informed about what's going on in the frontline because business is so rapidly changing.

The millennial effect. As time goes on, we are going to get more and more millennials [in the workforce]. And how they expect to be able to do their work is going to be a the driving force behind culture inside businesses going forward.

A tremendous amount of change needs to happen.

Beware of roadblocks

A lot of the digital transformation directive is coming from the C-suite and that is encouraging. Nobody below them makes the changes they need to make without their buy-in and direction. They may tactically make the changes, but they don't happen without their blessing, their directive. So that's very encouraging.

Some of the challenges though, are just human nature.

Organizational change. People are resistant to change, especially an organization that's been working a certain way for a period of time. It's understandable. Human beings still run the companies.

Security. A lot of executives are very, very focused on security. In fact, well over 50%, say "I'm concerned about security… If I'm going to utilize more technology" and that is understandable, and we have to address that.

Legacy systems. A lot of older systems are not compatible with some new technology. They may have to retrofit some of their existing systems and that could either delay a process or make a project a little more challenging.

Lack of clarity. It can be difficult to put a value and an ROI and a measurable message to a new process.

The digital iceberg. Executives and business leaders are only aware of a small portion of the changes that are needed. If you go into any organization and you talk to the top and ask them, "What are your three challenges?" I can almost guarantee you; you go down to the head of

any department and their three challenges are going to be different than the top's (C-Level) three challenges. So, right now there is just a big disconnect there and we want to open up that communication.

Lack of digital literacy. Executive and business leaders don't necessarily understand this new technology. They're running a business and they don't have time to keep up with it. So that can be a challenge.

Understanding consumer demand. Businesses are always trying to stay out in front and try to be at the right place, the right time for customers. So that's always a challenge for them. What priorities do we put first and how do we prioritize the projects?

Today we're focusing primarily on digital transformation from an IT infrastructure perspective and we're going to be doing that throughout this series. What should enterprise IT managers understand about this revolution? I think a good focus strategy for digital transformation for IT would be looking to radically change business performance, planning and budgeting, using digital technologies to move information effectively to better serve internal and external customers. It really has to start from the inside out. Other departments can certainly benefit, but IT needs to lay that foundation. Digital transformation, by definition, is technology. And, certainly, the IT folks need to own their portion of that strategy.

DX: The Benefits of X as a Service Model

X as a Service Model is a consumption model with two facets:

1. **Hiring out expertise** and consuming it as a service
2. **Technology** that is available now as cloud computing has grown and expanded to be so much more powerful than it used to be – most IT services are now available as a service model

Outsourcing things that change too fast, that are just too taxing. The concept has really, really matured to the point where the global market has grown at a rate of about 40% from 2016 to 2020.

And what I find most interesting is **a service culture** or as service is becoming more of a mindset and a culture as much as a strategy. It's like why don't we consume things this way? Service Now is a great example. It's certainly creating a lot of opportunity as new companies come into it.

Here are some fundamental, impactful benefits:

- **Lower costs.** Renting something and renting expertise can be less costly than purchasing it and managing it yourself.
- **Flexibility.** Use the power of the provider because they can manage change quickly. They can handle scalability much better than if you do it yourself.

Maintenance is done by the provider. Then the customer staff and user staff and resources can focus on running the business and making that business more efficient.

Easy access to new technologies. They are making the advancements and changes themselves. That's their core business, where you, as a consumer, can end up taking advantage of that.

New business services are able to debut quickly. They can be [implemented] very, very quickly because, again, that is their core business and that is what they do, and you are benefiting from it.

Allows for quick responses to market developments. If the market changes, the end user can take advantage of providers who are focused on being relevant and being the best of the best in their industry and what they're providing. So [the business] could then focus on the business and not some of these services.

Getting Started

Where should an enterprise begin to execute?

First, understand your environment. If you don't understand your environment, if you don't know where you are, how do you know where to go? When I am talking to IT managers, I really recommend that they understand their current environment completely and some have probably already started with respect to some pieces of it, but they really need to understand the current state and what technologies currently exist.

Do I have contractual obligations that I have to contend with? How much am I spending so I can budget? And that will be a solid basis for a case study to understand the efficiencies, the cost reductions that are inherent with a DX strategy, and this can be accomplished much more quickly by outsourcing a network audit.

If you partner with the right vendor to do that, you can actually do this **without having to create a budget for it.** Meaning that there are vendors out there who would expect to find savings as they uncover the types of services that are being used today, and they'll often share in that savings as their fee. So, it is not something that the IT manager will have to get budget

approval on. If they partner with the right provider as well, most of them have a SaaS platform that will allow them to be able to share access with the IT managers, what these expenses and assets are and really help them make informed decisions about what they are going to do in their strategy by seeing what is in their environment.

We are going to cover this extensively during our next session, but certainly once the environment is understood, IT managers will have a better-informed start on making decisions on what to tackle first. Understanding where you are from a holistic perspective is initially key, and then you can maybe drill down into different areas to get a full understanding.

Your opportunities

From an opportunity perspective, the tools that a business is using today can be **consumed as a service model**, as we've discussed, the easy one, the most common one that I see with businesses, the route they take first, is **email** from an exchange server – a piece of hardware sitting in a closet, buying licenses from Microsoft every year, every five years, whatever contract they choose and having to manage it themselves – and moving that to Office365. Office365 is effectively sitting on a server in Microsoft's cloud infrastructure around the globe and you are acquiring it and you don't have to manage it and you don't have to buy licenses. You don't have to maintain that server. You don't have to pay for the power for that server. You're just consuming it on a monthly basis.

After that, we look at all the other tools that businesses use, or an IT department uses to run that business. We look at **phone systems** and we can do unified communications as a service for a phone solution, **call center**, **IT staff** as a service to supplement your IT staff, which are very, very expensive. And not having to put another $130,000 or $140,000 into my budget every year for a person can be very beneficial. So many of these business tools are now available as a service.

Organizations with a multi-site wide area network technology have evolved into something called **SD-WAN**. SD-WAN, in a nutshell, is really an evolution of a wide area solution that allows businesses to take advantage of cloud services for all these changes in mobility demand, on-demand services, and application performance that old WAN technologies just simply do not accommodate.

A lot of times, what we do is we recommend replacing or augmenting even in a migration, a current voice or data technology with SD-WAN. When the core proposition dramatically improves the entire enterprise networking ecosystem, SD-WAN geographic boundaries are erased, key benefits such as visibility, scalability, performance, and control are all enhanced way beyond anything that was ever available by MPLS.

One of the key aspects of what makes SD-WAN so attractive is it doesn't have bandwidth restrictions. It is bandwidth agnostic. So, if you're in an area that has very poor network element performance, meaning I don't have fiber, maybe I've got DSL or I've got satellite, or whatever it may be.

I can add whatever type of network element I need to, to create my wide area network and that allows me to really look at cost effectively, addressing my network and saying, "Do I really need all these MPLS links for my branch offices?" Maybe I can scale that back. And even if I'm scaling back 10% on my cost, if I multiply that 10% out times 50 locations, that's a sizeable amount.

So [we're not only] lowering costs but we're also increasing efficiency. And we're increasing that performance and scalability and control. We could go down a SD-WAN rabbit hole all day long, so it really allows you to look at the network elements and right-size them for your network.

Edge security is huge. As we talked about earlier, executives are concerned about security so when we talk about a wide area network solution and moving, maybe away from a private MPLS network, we have to talk about security. So, SD-WAN can provide network, edge security with firewalls built into that solution. A lot of companies today prefer architectures that integrate security policy orchestration or reporting and control. SD-WAN covers all those bases by unifying that secure connectivity.

Some of these additional benefits and statistics might help somebody further bolster the business case for acting on some of these technologies in the very near future.

If you're walking into an organization and you want to be that trusted advisor, you're going to be that trusted advisor by helping them solve their critical business issues.

Competition. In a recent Gartner report, 2/3 of business leaders think their companies need to speed up digital transformation or they are going to lose-out to competitors.

Skills gap. 40% of IT workers say they're not getting trained. They need the training. They need this to be effective in their jobs. They just don't have the time. They don't have the time for the training. It's changing too fast.

Staffing gap. As IT jobs open and continue to rise there are not enough skilled workers to fill them, particularly in security roles. So, if I am a CEO, if I am running a business, why do I, you know, incur that $150,00 to $200,000 a year cost when I can consume that expertise on a much easier basis, or maybe take four or five months to even find that position to fill when you do not even need to?

Budgets. Half of IT and line of business respondents say that budgets are a barrier to firming security. Security is expensive. People are expensive. Security appliances solutions are expensive. So, when you can take a fixed cost on an annual or monthly basis and build it in, your CFO's happy, your CEO's happy, your CSO's happy, because all the boxes that need to be checked are checked.

Technology. Nearly a quarter of CEOs are most concerned with upgrading legacy systems to improve efficiency. So, if I am looking at this, there is a tremendous opportunity out there to help businesses through this digital transformation journey.

Additional information

We have another session upcoming where we'll be covering "Knowing your environment – What do I have? How is it used? How much does it cost?"

If you're like me and you're impatient and you don't want to wait until the next session, or you have some questions you'd like to ask regarding today's session, feel free to contact Chris or me. We'll be happy to chat with you on the phone and schedule a discovery session with you about what your DX strategies are and see if we can help you move those along.

Look forward to future sessions.

Jim "JC" Carroll
Chief Revenue Officer
Tellennium
jcarroll@Tellennium.com
512.632.4428

Chris Donlan
DX Solutions Architect
MicroCorp
Chris.Donlan@microcorp.com
561.601.4105