



Harnessing Operational Insights for Digital Transformation

Need for a Business Value Orchestrator

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Executive summary

As enterprises move through their digital journey, most are pursuing large-scale transformation efforts. However, challenges such as limited visibility across end-to-end operations, sub-optimal insights from enterprise IT landscape, and limited alignment between IT and business outcomes are impacting their ability to derive business value from such efforts. Our research indicates that 73% of enterprises failed to realize sustained returns from their digital transformation efforts.

In order to achieve business performance and efficiency improvements, enterprises need to leverage their treasure trove of operational data to generate actionable insights. This requires enterprises to establish a Business Value Orchestrator platform that provides a consolidated view across technology and business operations, generates data-driven insights, and monitors and performs actions to improve outcomes aligned business metrics.

Establishing a Business Value Orchestrator can help enterprises achieve greater operational efficiency of IT and business processes, align outcomes centered around business objectives, and enable an intelligent operations model. This not only helps improve performance of IT metrics such as, availability, resiliency, and resolution time but also helps streamline smooth functioning of business operations which is critical for enterprises to successfully derive value from transformation efforts.

Successfully establishing and scaling the Business Value Orchestrator at the enterprise level not only requires the technology backbone, but also requires driving continuous evolution, and, most importantly, evolving KPIs to measure business value.

This report analyzes the challenges enterprises are facing in deriving value from digital transformation, and describes how enterprises can adopt a Business Value Orchestrator to measure and derive business value. The key areas of focus are:

- Enterprises' expectations of generating value from digital transformation
- Challenges impacting enterprises in deriving value from digital transformation
- The need for a Business Value Orchestrator and understanding its building blocks
- What enterprise can achieve from the Business Value Orchestrator
- Critical success factors and best practices for establishing a Business Value Orchestrator
- Approach enterprises can follow to move through their Business Value Orchestrator adoption journey

Enterprises' priorities of deriving value from digital transformation

Exhibit 1

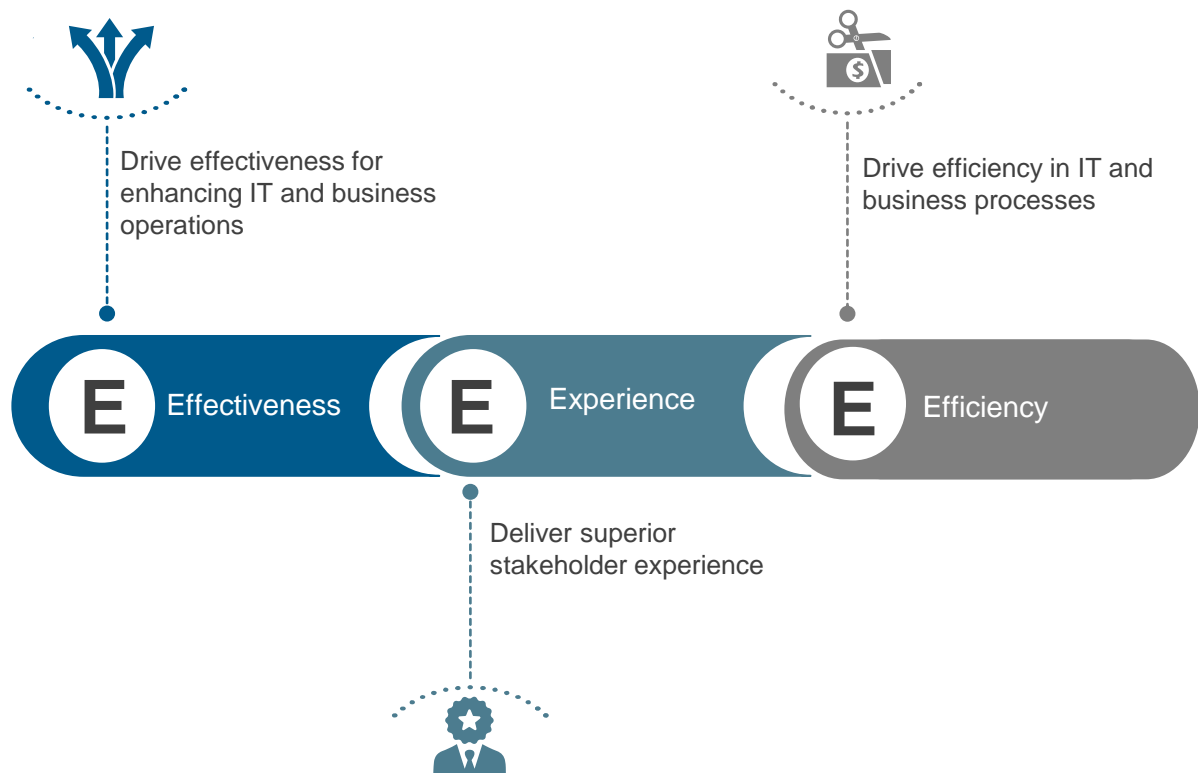
Top 3 priorities of deriving value from digital transformation

Source: Everest Group (2019)

Everest Group perspective

The key imperatives driving enterprise success in the digital age include enhancing business performance, driving efficiency gains through improvement in existing business processes, and delivering enhanced stakeholder experience. Enterprises aim to leverage insights from operations to achieve improvements across business and IT processes.

In order to achieve meaningful and measurable business outcomes from transformation initiatives, enterprises aim to leverage insights from IT and business operations to derive value across three priority areas: effectiveness, experience and efficiency.



- **Effectiveness:** Enterprises aim to improve effectiveness of core IT operations to enhance performance of business growth levers such as, identifying process bottlenecks to enable faster time to market, and drive more effective sales and marketing processes. They aspire to bring in great controls to improve effectiveness of enterprise operations.
- **Experience:** Enterprises aspire to increase the level of consistency and quality of experience delivered to all stakeholders including customers, employees and partners. Enterprises expect to transform IT to improve reliability and availability, leverage insights for personalized experience, and streamline processes to reduce variability.
- **Efficiency:** Achieving efficiency gains through transformation is a key objective for enterprises. They aim to eliminate process inefficiencies and find opportunities for automation of business processes to derive value through faster speed of delivery while maintaining cost efficiency.

Enterprises' are facing challenges to derive business value from digital transformation

Everest Group perspective

Limited visibility across enterprise operations and sub-optimal insights from enterprise IT landscape are impacting the ability to generate business value. Although several enterprises are pursuing large-scale transformation efforts, they have had limited success in realizing the desired business outcomes.

As enterprises move through their digital transformation journey, most enterprises are pursuing large-scale efforts to capture the benefits of digitalization. Yet success from these transformation efforts is proving to be elusive. Very few enterprises are able to create meaningful impact on improving the enterprise's performance, generating tangible benefits, and sustaining those benefits. Although enterprises have demanding aspirations from digital transformation initiatives, only a few enterprises are able to fully achieve desired business outcomes as indicated in exhibit below.

Exhibit 2

Impact of digital transformation on business outcomes¹

Source: Everest Group (2019)



Only **16%** of enterprises believe digital transformation had significant impact on **revenue growth**



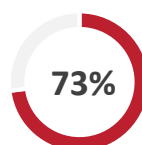
Only **14%** of enterprises believe digital transformation had significant impact on enhancing **operational efficiency**



Only **21%** of enterprises believe digital transformation had significant impact on improving **customer experience**

Enterprises leaders are facing challenges to successfully implement digital transformation programs. Our research indicates that **78%** of enterprises fail in their digital transformation initiatives.²

In most cases, enterprises have had limited success in implementing digital initiatives as envisioned and realizing sustained returns from digital transformation investments. While digital transformation efforts have been able to make a relatively stronger impact on metrics related to enhancing customer experience and brand reputation, enterprises still struggle to create meaningful impact on efficiency gains and growth levers such as reducing process cycle time, improving process efficiency, enhancing employee productivity, enabling new products and services, and creation of new revenue streams.



73% of enterprises failed to realize sustained returns from their digital transformation efforts²

¹ Everest Group's research with 95 global CDOs and IT leaders from large enterprises (revenue >US\$1 billion)

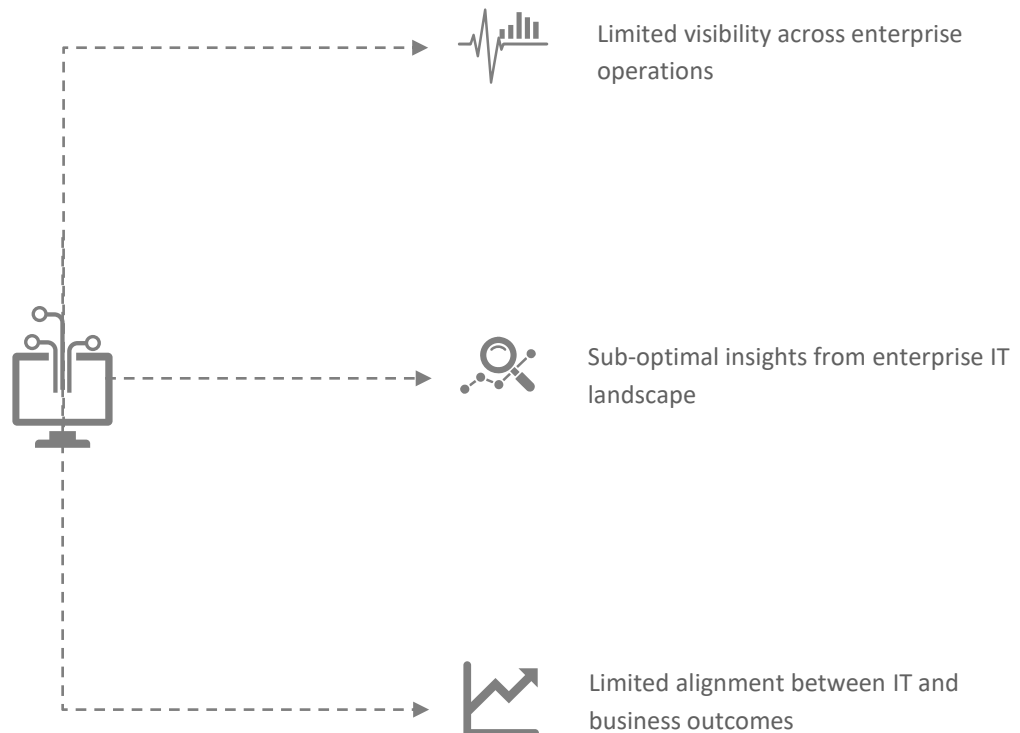
² Everest Group's research with 180+ CXOs / business heads from large enterprises (revenue >US\$1 billion)

Enterprise executives are facing significant challenges in deriving business value from digital transformation programs, as demonstrated in Exhibit 3.

Exhibit 3

Key challenges limiting business value from digital transformation

Source: Everest Group (2019)



- Limited visibility across enterprise operations:** Enterprise IT teams have limited visibility of end business impact. Most enterprises take a siloed and fragmented approach to technology transformation, impacting the desired business outcomes. Siloed operations, limited cross team collaboration, and minimal information exchange across different IT functions and business processes, limit the visibility of end-to-end operations to achieve operational and process efficiency improvements through digital transformation initiatives.
- Sub-optimal insights from enterprise IT landscape:** Digital transformation is resulting in an accelerated explosion of data volumes and diverse nature of data being generated by the IT landscape. Although, most enterprises are sitting on a wealth of operational data from business processes, users, customers, IT assets and external sources, they are unable to fully utilize it to create actionable insights to improve operational and process efficiency KPIs.
- Limited alignment between IT and business outcomes:** Enterprises lack a shared set of KPIs across IT and business teams with accountability for business outcomes. In order to create meaningful value for business, outcomes of digital transformation should be aligned to measurable business objectives and KPIs. This means the ability to measure not just the performance of IT, but the performance and efficiency of business processes that IT enables.

Often digital transformation involves changes across multiple dimensions of IT and business. This requires careful and deliberate orchestration of IT and business processes across the enterprise to improve performance, efficiency and competitiveness.

Introducing the Business Value Orchestrator

Everest Group perspective

To effectively enable an intelligent operations model, and improve business performance and efficiency, enterprises need to ensure seamless orchestration of underlying technologies and enterprise operations data by establishing a Business Value Orchestrator that acts as a nodal center to monitor and perform actions across the enterprise.

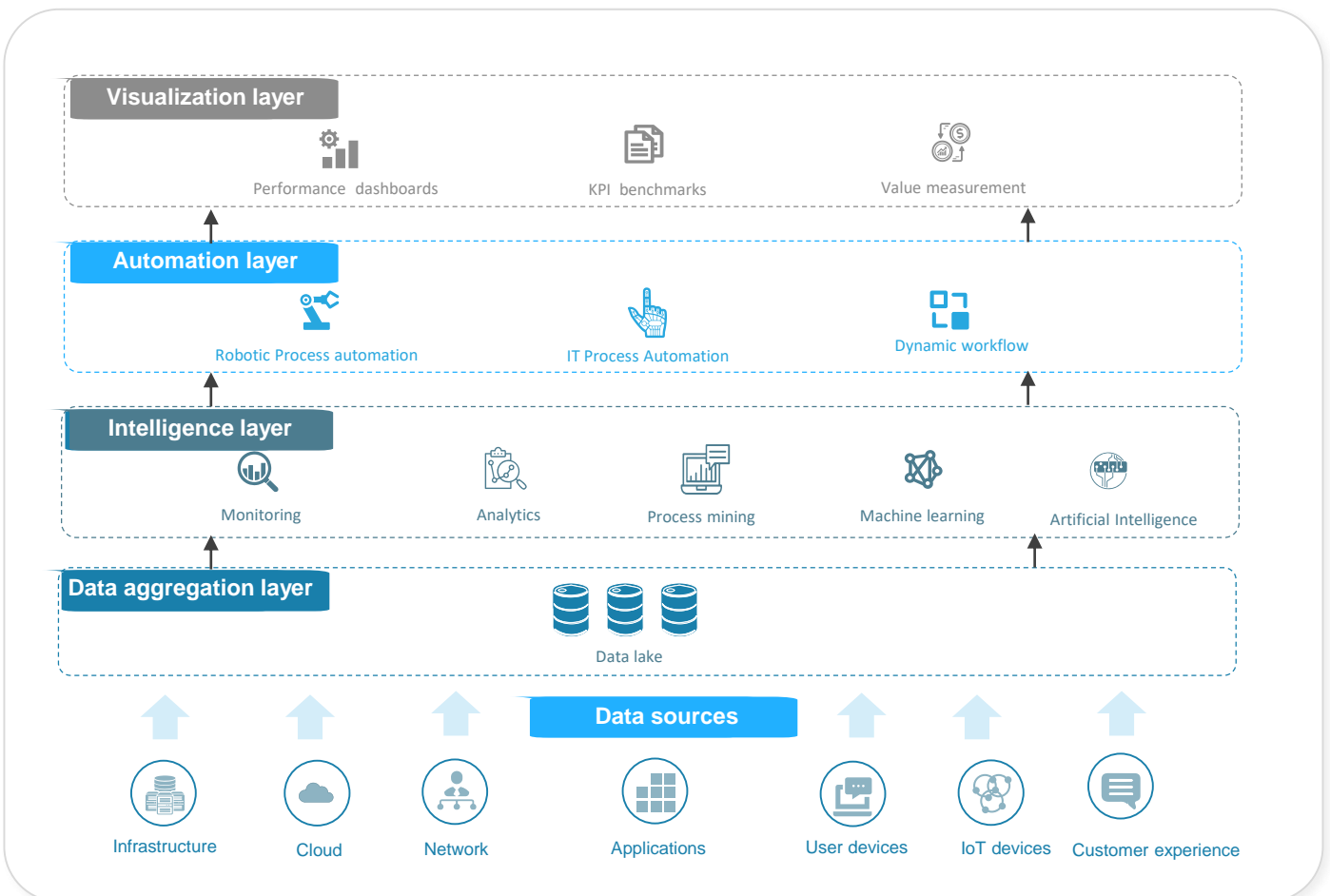
Exhibit 4

Building blocks of a Business Value Orchestrator

Source: Everest Group (2019)

Everest Group defines Business Value Orchestrator (BVO) as a platform that acts as a nodal center, orchestrates integration of operations data, generates actionable insights using advanced analytics, and facilitates intelligent automation of IT and business processes to improve business performance and efficiency.

The exhibit below describes the building blocks of a Business Value Orchestrator.



Enterprises need to adopt an integrated approach to collect data from varied sources such as infrastructure, network, applications, end-user devices, and IoT devices; interpret the data to find patterns and anomalies; analyze data correlations, provide predictive and preventive insights to reduce business disruption, improve process efficiency, and take corrective action quickly and intelligently.

Enterprises leaders believe their current data landscape is so complex that it limits the agility of the organization. For example, **45%** of these leaders mention that increasing complexity of the data landscape is impacting the ability to derive actionable insights.¹

Establishing data sources

The foundation of the BVO is data, and so enterprises need to monitor and analyze data from disparate sources across the entire business and IT ecosystem. In a typical enterprise environment, the data sources should include data generated by infrastructure and network monitoring tools, application performance management tools, cloud management platforms, service management tools, device performance trackers, IoT devices and customer experience monitoring tools.

Data aggregation layer

The data aggregation layer should seamlessly connect to multiple data sources, consolidate unstructured and structured data, and orchestrate the data that is being ingested across silos. The data layer should comprise of a data lake that will form the basis for discovering patterns that could otherwise not be detected by correlating data from disparate sources. For example, analyzing historical operational data across thousand of infrastructure and network assets could help predict and prevent future outages.

Intelligence layer

The intelligence layer enables the data that is ingested to extract actionable insights out of it. This layer will actively monitor data, conduct process mining, detect anomalies and discover patterns to deliver predictive and preventive insights. Leveraging AI and ML techniques will build capabilities to draw correlations, establish cause-effect relationships, make predictions based on pattern analysis, generate alerts through detection of anomalies and auto remediate some of the commonly occurring issues. The intelligence layer should have the ability to continuously learn and enhance its functioning and adapt to evolving changes in the business and IT landscape.

Automation layer

Automation layer, uses the outcomes generated by the intelligent layer to automatically create and apply a response or improvement for the issue identified. Through the use of robotic process automation and IT process automation, rule-based human actions can be replicated for driving process improvements. Developing algorithms, dynamic workflows can be created to automate the sequence of processes.

Visualization layer

The visualization layer provides the interface through which the business and IT teams can interact and orchestrate the platform. This layer brings together in one place, performance metrics, KPI benchmarks, measures value derived from process improvement and automation across business and IT dimensions.

¹ Everest Group's research with 95 global CDOs and IT leaders from large enterprises (revenue >US\$1 billion)

What enterprise can achieve from Business Value Orchestrator?

Everest Group perspective

Establishing a BVO helps enterprises to enable a consolidated view of enterprise operations, generate data-driven insights to improve efficiency of IT and business processes, perform proactive and contextual actions to improve outcomes, and continuously measure value of business aligned metrics.

Outcomes aligned to business objectives

The BVO allows enterprises to continuously measure value of business aligned metrics. It provides a platform for IT and business services teams to become more aware of the impact by aligning and measuring business KPIs. For example, measuring reduction in IT downtime could be linked to measurements that indicate improvement in process cycle time or cost efficiency achieved or its impact on user experience. In addition, leveraging a robust business KPIs library, enterprises can benchmark KPIs to not only with different business units or geographic units within the organization, but also compare against industry best-in-class benchmarks.

Insights-driven intelligent operations

Integrating operational data across all disparate sources into one reservoir reduces the risk of dissonance across the operations landscape. Using the BVO enterprises can leverage their operational data to generate data-driven insights to perform proactive, predictive and contextual actions to improve business efficiency and performance. For example, IT teams can get access to real-time insights around why a service is likely to experience or is already experiencing an issue to proactively address any potential issues. Applying AI and ML techniques further help identify patterns automatically and enhance the confidence levels of the predictions.

Operationally efficient IT and business processes

The BVO provides a consolidated view of end-to-end enterprise operations with complete visibility across IT and business processes. It promotes strong collaboration between IT and business operations teams, and enables better data-driven decision making. The BVO brings in a single-source-of-truth, enabling effective information exchange across all data siloes to correlate process dependencies, identify bottle necks, proactively detect anomalies, and generate real-time predictive insights to remediate and streamline processes. For example, a service ticket resolved through auto remediation, can bring down Mean Time to Recover significantly and help improve the business processes.

Critical success factors for establishing a Business Value Orchestrator

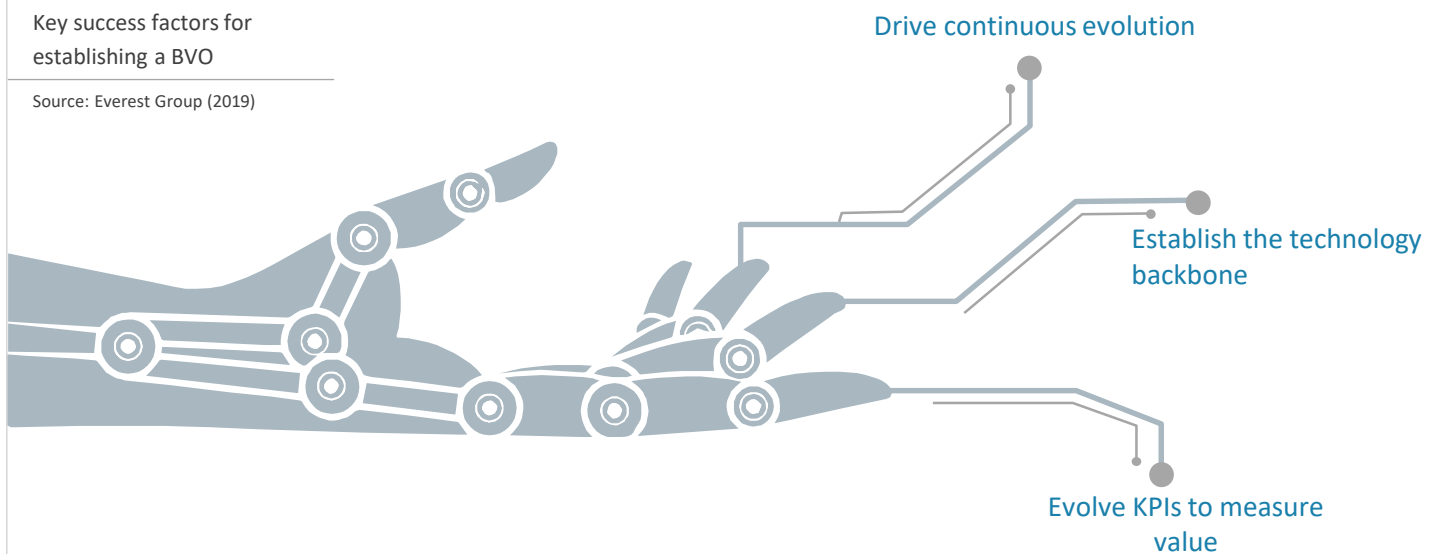
Everest Group perspective

Establishing a BVO not only requires enabling the technology building blocks, but also fostering a culture of continuous change and evolution, moving towards a technology landscape that is interoperable, and, most importantly, measuring value through a set of evolving metrics aligned to business outcomes.

Exhibit 5

Key success factors for establishing a BVO

Source: Everest Group (2019)



Drive continuous evolution

As enterprises evolve through their BVO journey, they need to foster a culture and technology landscape that promotes continuous evolution and improvement. Building a culture that promotes collaboration, experimentation, incremental innovation, and decision making that is data-driven is critical. A mind-set of continuous evolution needs to be embedded at core of the organization, woven into the everyday fiber of business and technology operations rather than being an activity. It is imperative to establish a continuous feedback loop for the BVO to constantly identify areas of improvement and opportunities.

Establish the technology backbone

Building a BVO that orchestrates multiple aspects of service delivery should not become an excuse to build technology siloes. In addition to breaking down the “data islands”, enterprises will need to move towards a technology landscape that is interoperable. This requires adopting an architecture built on open standards designed using modern principals. This backbone should meet the dynamic realignment of business priorities and enable a fluid structure that is compatible across technology platforms.

Enterprises are increasingly moving towards making IT organization focused on measurable outcomes aligned to business objectives. Our research indicates that **65%** of leading enterprises have adopted some form of an outcome-oriented approach.¹

Evolve KPIs to measure value

Once the BVO is established, enterprises should measure themselves on enhanced KPIs and metrics. Traditionally, most enterprises have used IT SLAs or metrics such as downtime, error rates, resolution time to measure the performance and efficiency of business operations. Though these are still relevant, they themselves do not fully measure effectiveness of performance and efficiency for digital businesses. IT and business teams must collectively own the responsibility to evolve KPIs to measure value delivered. It is essential for enterprises to identify measurable indicators that will help evaluate the impact of IT metrics such as availability, resolution time, release frequency on end business outcomes such as cost of delivery, time-to-market or order-to-delivery cycle time. For example, in addition to the availability measured for a system, the cost saved due to uptime should be co-related.

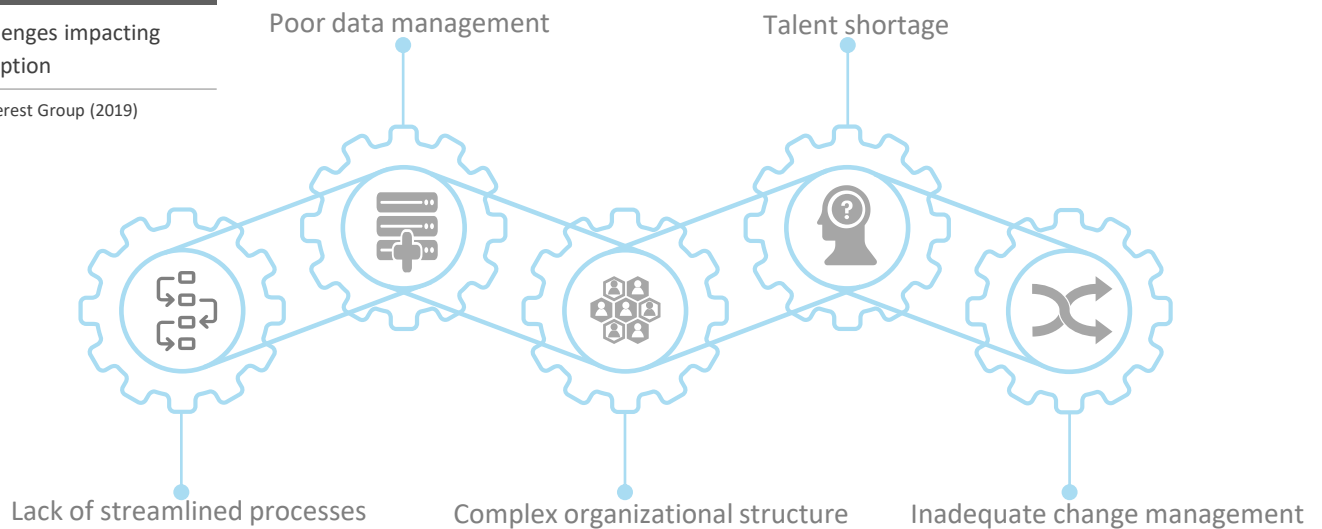
Driving BVO adoption: key challenges and best practices

There are multiple challenges that could impede meaningful adoption and scaling of a BVO, as demonstrated in Exhibit 6. Overcoming key challenges will require enterprises to consider cornerstone practices underpinning the progress of the BVO adoption journey.

Exhibit 6

Key challenges impacting BVO adoption

Source: Everest Group (2019)



- **Lack of streamlined processes:** Lay a strong foundation for process design and take a holistic view to enable standardization and optimization for agility and scalability.
- **Poor data management:** Redefine data strategy and data management practices to ensure data is accessible, accurate and continuously enriched.
- **Complex organizational structure:** Consider reshaping the organizational structure to increase transparency, agility and alignment between IT functions and business teams.
- **Talent shortage:** Redefine critical roles and develop expertise across areas such as, automation, ML and AI through training and upskilling programs with a strong focus on developing cross-functional skillsets.
- **Inadequate change management:** Ensure buy-in from leadership, drive effective communication across the enterprise, and enforce commitment for adherence to reengineered processes through incentives and penalties.

¹ Everest Group's research with 194 CXOs from enterprises with over US\$1 billion in revenue

Conclusion

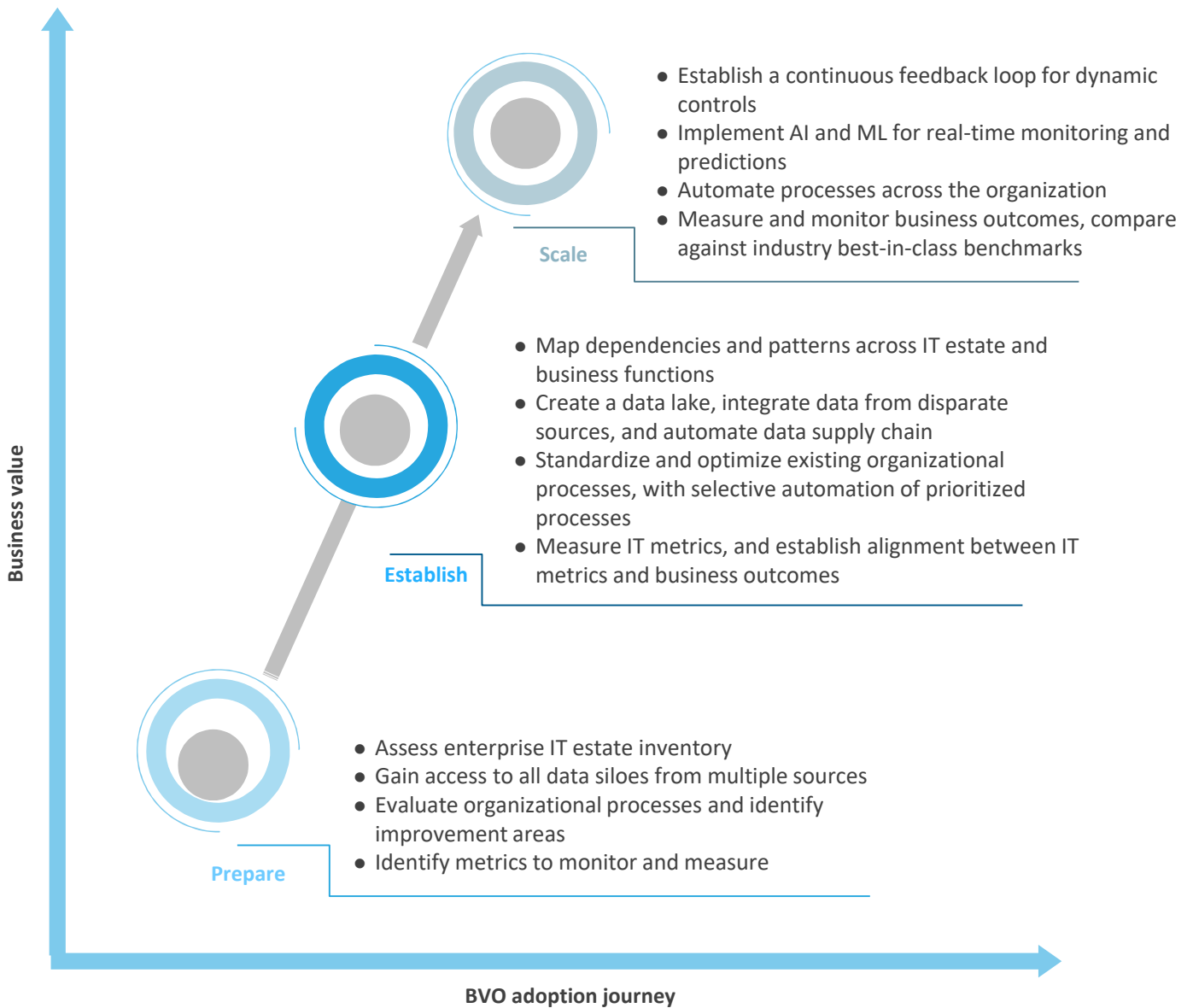
Exhibit 7

Enterprise BVO adoption journey

Source: Everest Group (2019)

As enterprises embark on the journey to adopt a BVO, Everest Group recommends following an incremental approach. We realize a massive change management exercise can kill the initiative before it begins. Enterprises would need to traverse through three broad phases to scale adoption. This requires a combination of incremental and pragmatic changes across multiple dimensions such as, culture, operating structure, technology, processes, and governance in each of the phases as illustrated below.

Taking a disciplined approach to harness operational insights for digital transformation provides significant competitive benefits, and helps measure and derive business value from digital transformation initiatives.




About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.


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