



The New Era of Digital Transformation

Enterprise technology strategy evolves from digital transformation to running a digital business

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Executive Summary

An evolution is underway as enterprises shift their technology investments from digital transformation to running a digital business.

- ▶ Initiatives are increasingly oriented around business value rather than technology outcomes.
- ▶ Innovation is often key to achieving business value and gaining a competitive advantage.
- ▶ To sustain innovation, organizations need a strong foundation of culture and technology, as well as an efficient process starting with ideation and including measurement.

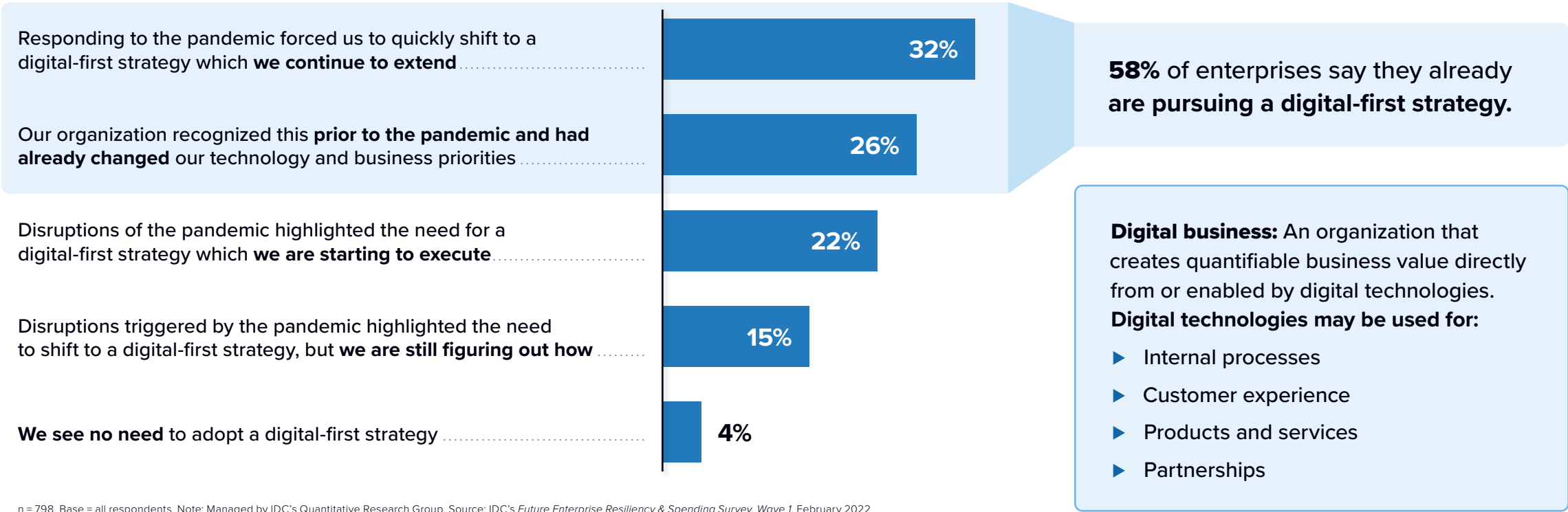
Digital transformation has been primarily about transforming the business: using technology to solve problems in HR, operations, marketing, etc.

Many enterprises are now evolving their focus away from transforming the business to using digital technologies to deliver clear and measurable business value for competitive advantage. They will continue to execute digital transformation on an ongoing basis, but they are transitioning their focus to running a digital business.

Running a Digital Business Is the New Imperative

IDC often hears business and IT leaders share the belief that **we are now living and competing in a digital-first world**. Customers, partners, and employees are seeking digital-based capabilities and enhancements to improve their lives and achieve desired outcomes.

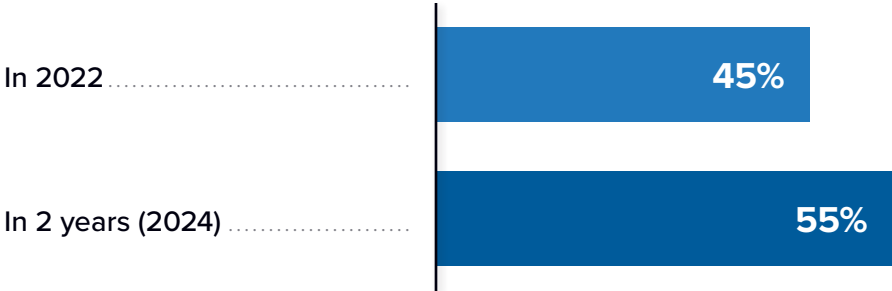
Which of the following statements best describe where your organization is when it comes to adopting a digital-first strategy?



n = 798, Base = all respondents, Note: Managed by IDC's Quantitative Research Group. Source: IDC's *Future Enterprise Resiliency & Spending Survey*, Wave 1, February 2022

The Shift to Digital Business Is Driven by Revenue

What portion of your organization's revenue will come from digital products or services (i.e., ecommerce, digital advertising, mobile app, data analytics service, etc.) in 2022 and in two years (2024)?



n = 391, Base = Vision section respondents, Note: Managed by IDC's Quantitative Research Group; data weighted by country GDP; use caution when interpreting small sample sizes. Source: IDC's *Future of Digital Innovation Sentiment Survey*, July 2022

Digital technology drives revenue.

We are nearing a tipping point at which more than half of enterprise revenue will come from digital.

Organizations that say digital innovation is the most important component of their overall digital business have already reached that point.

For these organizations,



digital is currently responsible for **51%** of their revenue,



growing to **61% by 2024.**

Three Categories of Enterprise Technology Investments Enable the Digital Business



Innovative

- ✓ Differentiating or disruptive technology typically built in-house by the enterprise
- ✓ Distinguishes market leaders from laggards



Competitive

- ✓ Critical technology to remain competitive and contribute to the bottom line, such as a retailer's ecommerce platform
- ✓ Often built from off-the-shelf products and services with some customization



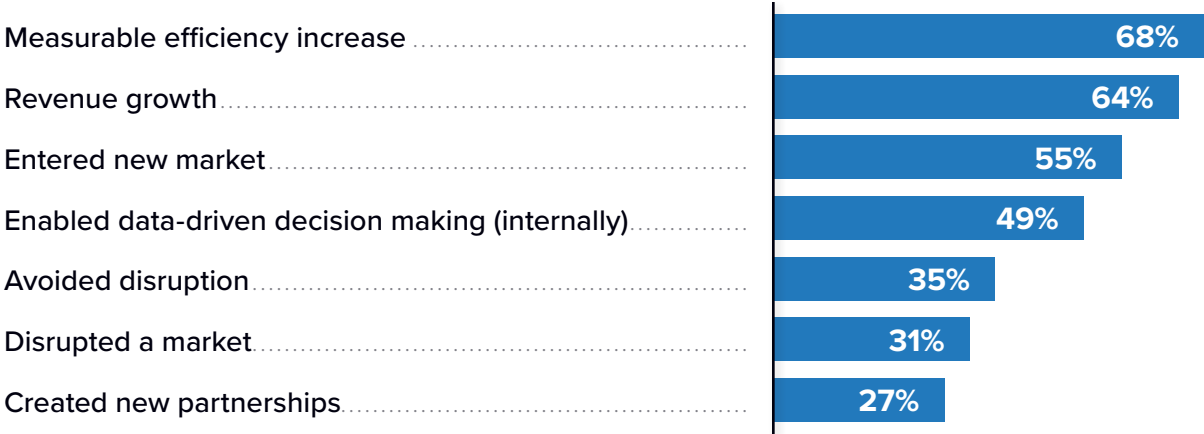
Foundational

- ✓ Enabling technology such as enterprise resource planning (ERP), customer relationship management (CRM), or HR systems
- ✓ Processes such as DevOps on which the business and important digital deliverables are built
- ✓ Often built from off-the-shelf products and services that enterprises may customize

Important Outcomes from Digital Innovation in Addition to Revenue

One indicator of the shift from digital transformation to running a digital business is in the **types of outcomes organizations achieve via digital innovation**. In the era dominated by digital transformation, digital investments often were designed around technology or process outcomes: cloud migration or faster software delivery, for example. Now the outcomes are business-oriented, such as revenue growth or entry into a new market.

Which of the following business outcomes have you achieved in the past 12 months via an innovative digital product or service?



To get the most out of digital innovation, think beyond revenue

Revenue is an important value derived from digital innovation — but it’s not the only one. Digital innovation should be regarded as an enabler for efficiency increases, new market entry, improved decision making, and defending against disruption.

n = 774, Base = all respondents, Note: Data weighted by country GDP; multiple dichotomous table, total will not sum to 100%; use caution when interpreting small sample sizes. Source: IDC's *Future of Digital Innovation Sentiment Survey*, July 2022

Guidance to Becoming a Digital Business

Despite digital transformation investments, companies face a number of challenges when pivoting to become a digital business. Organizations must build efficient software development capacity to support the ongoing delivery of digital capabilities that are designed based on data-driven intelligence. The evolution must not only be tactical. It must also be strategic, oriented around the value to the business.

To spur your transformation into a digital business:



Automate to speed software delivery



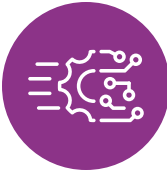
Orient DevOps around business value, not just IT value



Build a culture of innovation



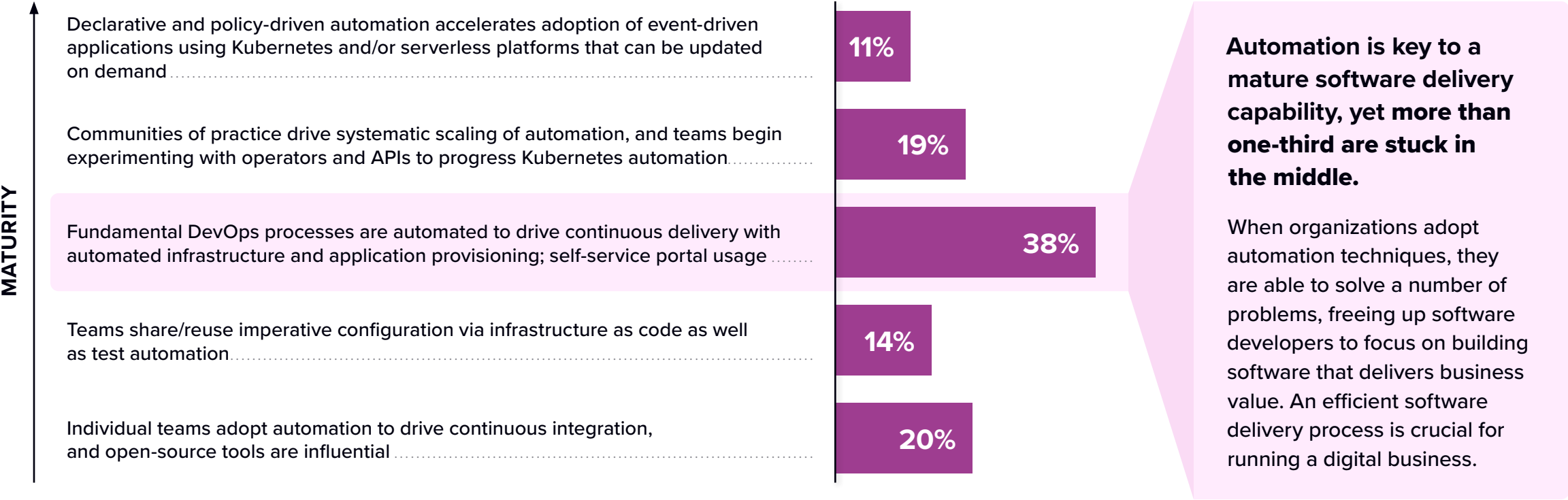
Adopt cloud-native technologies



Automate to Speed Software Delivery

A digital business needs to quickly deliver the capabilities that customers, the business and partners demand — and that deliver the targeted business value that the organization requires. **Automation, DevOps practices, cloud-native technologies and the right culture all support fast time to value.**

Which statement best describes your organization's approach to DevOps automation?

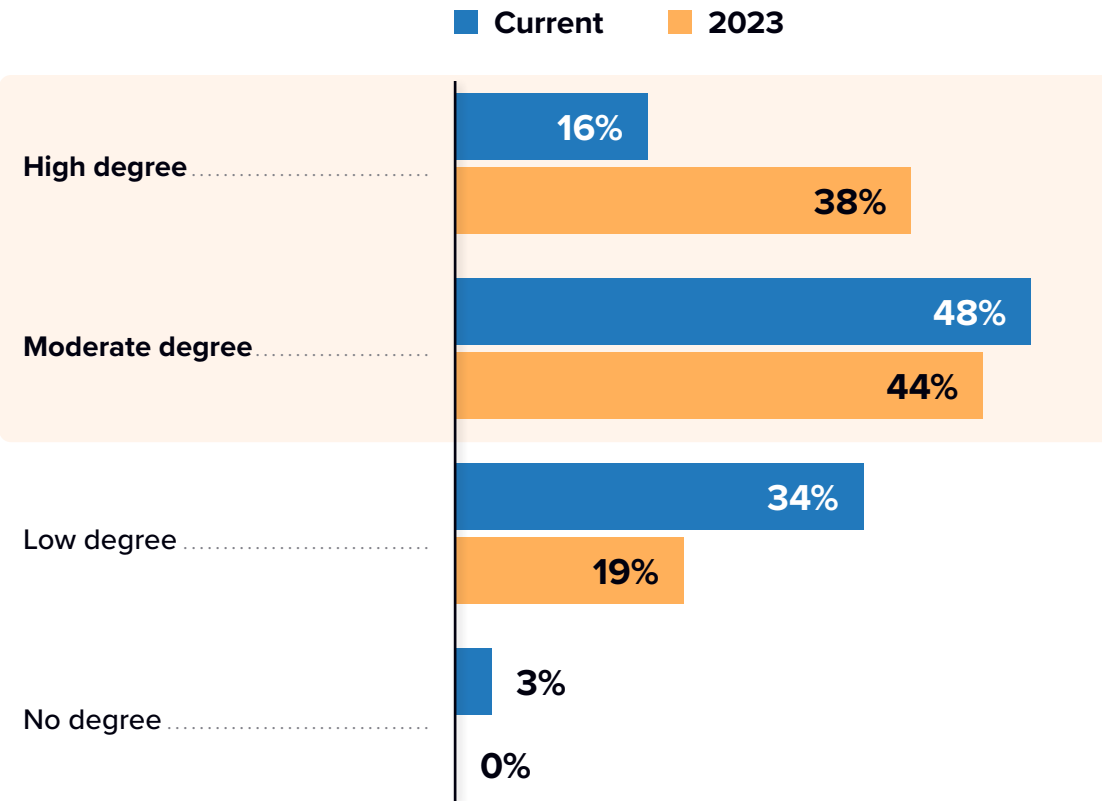


n = 200, Source: IDC's Accelerated App Delivery Survey, August 2021



Orient DevOps Around Business Value, Not Just IT Value

Beyond the IT value, to what degree do your DevOps/software delivery teams drive business value in your company?



Only 16% say that their DevOps teams drive a high degree of business value in their companies.

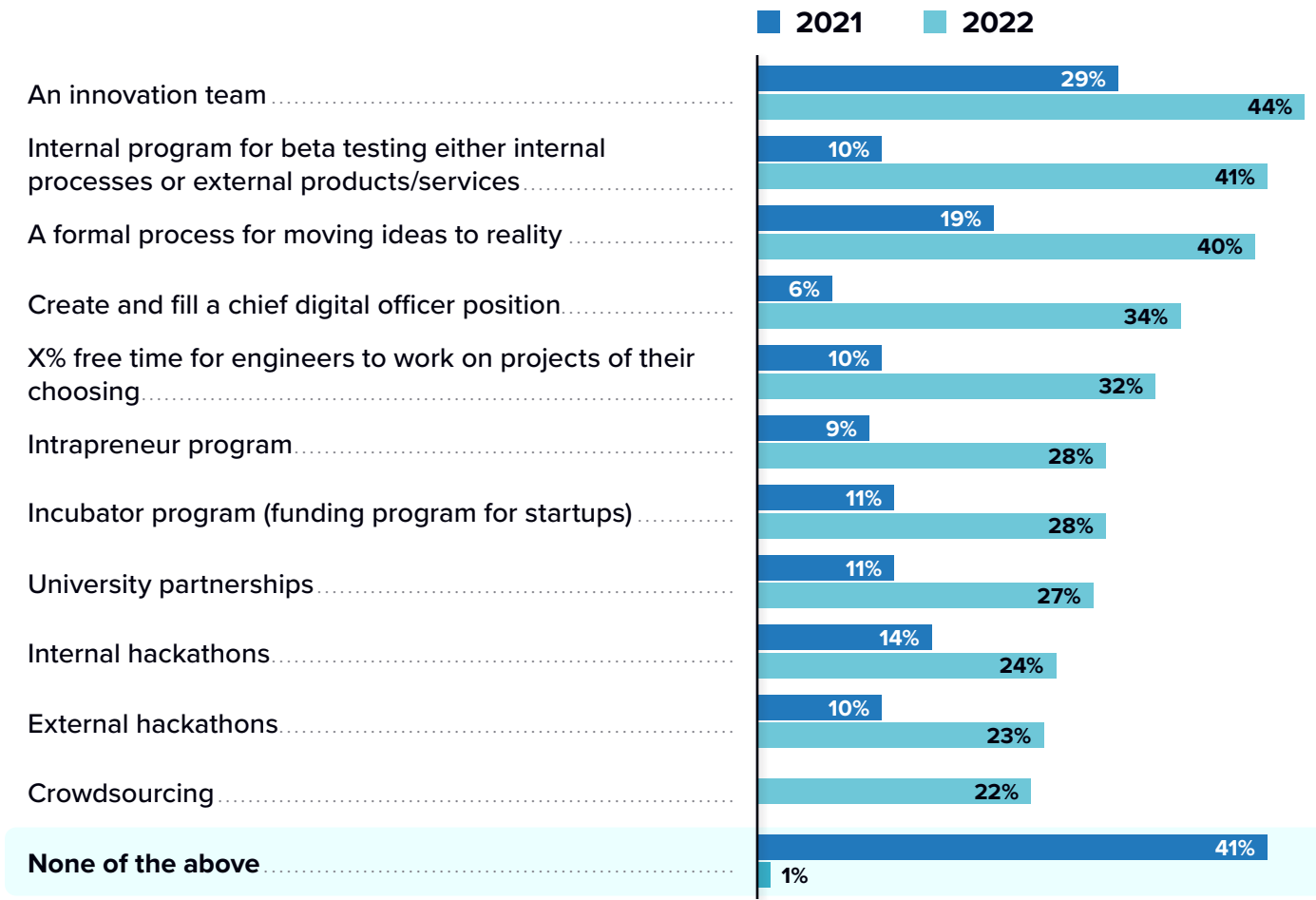
However, organizations clearly recognize the business potential of DevOps teams and expect a notable shift in the short term. **By 2023, 82% of respondents expect their DevOps teams to drive a moderate or high degree of business value.** This shift is key for organizations that want to derive a larger portion of their revenue stream from digital. To enable it, organizations must implement tools and processes that measure the right metrics tying DevOps teams and their output to business value.

n = 200, Source: IDC's Accelerated App Delivery Survey, August 2021



Build a Culture of Innovation

Which of the following software innovation programs or initiatives does your organization have now?



In 2021, 41% of enterprises had no innovation programs or initiatives in place. That dropped to just 1% in 2022, indicating that organizations recognize that innovation requires intention.

While there isn't a particular formula of programs that will work for every company, successful digital innovators have structured innovation programs with dedicated resources that stem from an intentional innovation strategy that's considered a key pillar of the business. Creating processes and initiatives that fit your organization and its innovation strategy can help foster a culture of innovation and enable the development of innovative digital capabilities.

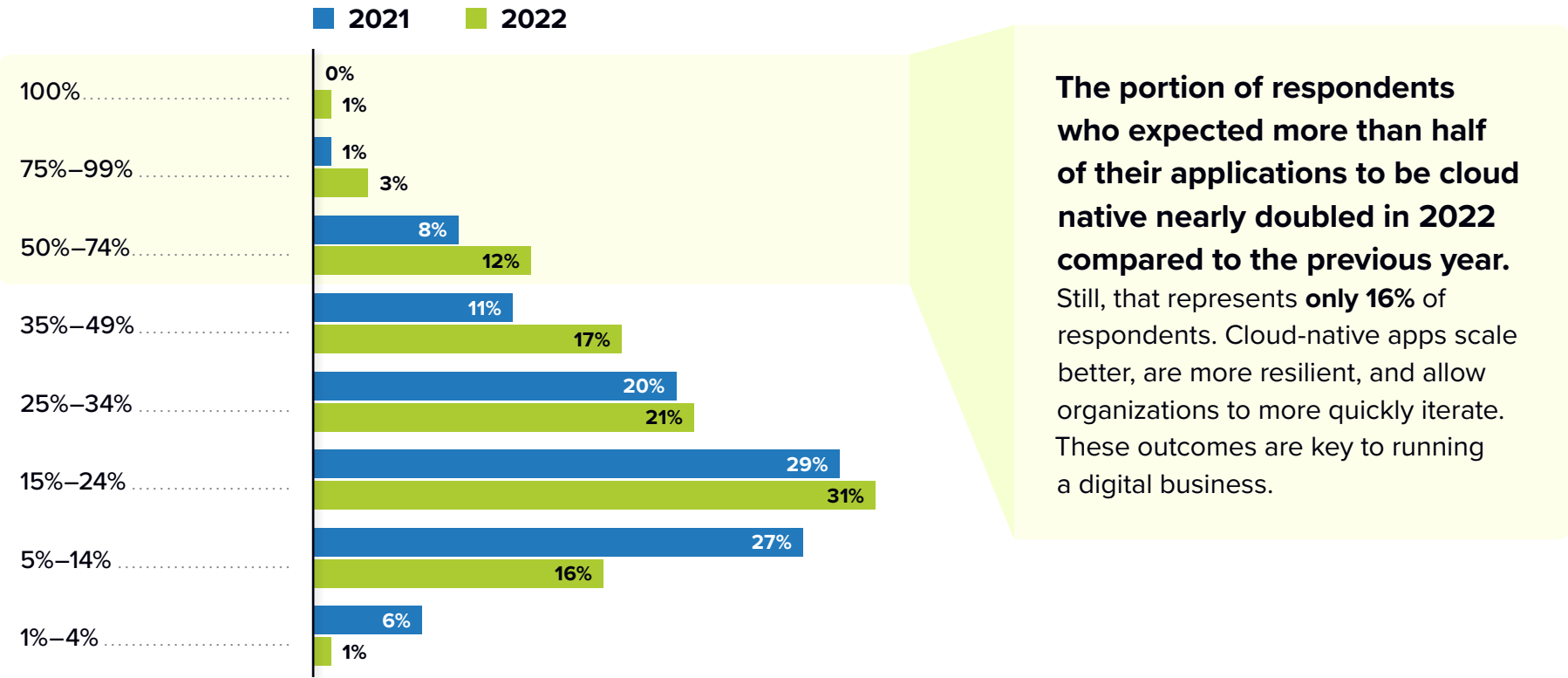
n = 383, Base = tactics section respondents, Source: IDC's *Future of Digital Innovation Sentiment Survey*, July 2022. n = 280, Source: IDC's *Future of Digital Innovation Survey*, April 2021



Adopt Cloud-Native Technologies

Despite cloud’s benefits, many applications persist in legacy environments

Relative to your total estate of custom-built applications running in a cloud environment, please estimate the percentage of apps built/deployed using cloud-native development in 2021 and projected for 2022.

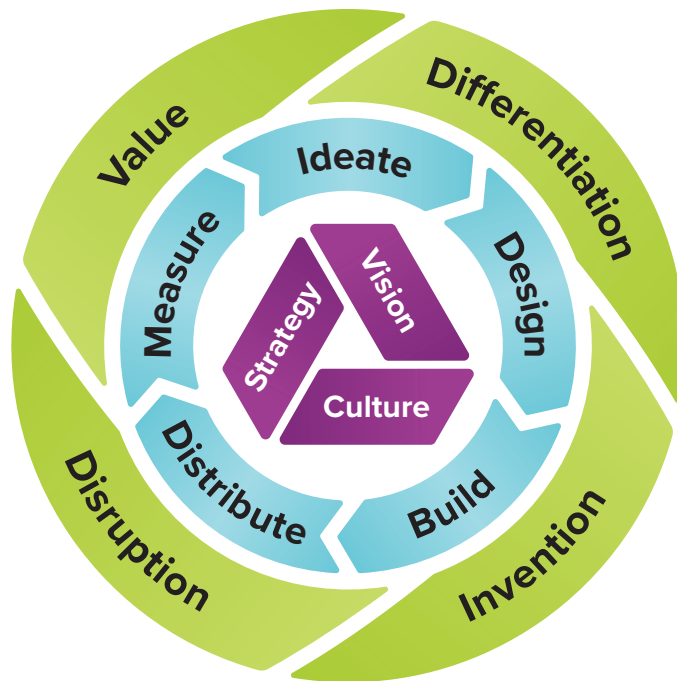


Source: IDC's Future Enterprise Resiliency & Spending Survey, Wave 5, June 2022

The Future of Digital Innovation

Software-driven products and services can help achieve important business goals, but when that software innovation becomes a value engine, it helps spawn new business opportunities, such as **data monetization**, **new partnerships**, and **entrance into adjacent markets**.

The Digital Innovation Value Engine



A digital innovation value engine comprises three interdependent core components:

- ▶ **The Innovation Foundation:** At the center of the value engine is the innovation foundation, comprising **enterprise strategy, vision, and culture**.
- ▶ **The Flywheel of Innovation:** With the right foundation, companies can create a self-sustaining process to deliver innovative and iterative digital capabilities that support business outcomes. The flywheel **starts with ideation and includes design, build, and distribute functions**. It requires **measurement** throughout the process and on an ongoing basis, enabling data-driven decision making.
- ▶ **The Outcomes:** A successful digital innovation value engine yields important business outcomes that **generate differentiation, invention, disruption, and value**.

Source: IDC, 2022

Essential Guidance

- ✓ **Take stock of which elements of the Digital Innovation Value Engine your company has competency with, and which ones need to be further built out:**
 - ▶ **Culture is often the most difficult element of The Innovation Foundation to change.** IDC research indicates that vocal support from the C-suite is critical to ensuring a culture that doesn't blame individuals for failure and that tolerates the right level of risk.
 - ▶ **For many organizations, the most difficult stages of The Flywheel of Innovation are at the beginning and end: ideation and distribution, respectively.** Creating a process for ushering ideas into reality is key, ensuring that good ideas don't go unnoticed or unrealized. Also, educating the organization on options for attaining value from internally built software, including open sourcing it, offering access via APIs, or monetizing associated data, supports a smart distribution strategy.
- ✓ **Examine your level of software development efficiency and consider ways automation can improve agility and accelerate business value creation.**
- ✓ **Ensure that cloud-native adoption hasn't stalled; identify barriers, such as skills shortages, and seek solutions, including platform services.**
- ✓ **Implement ongoing measurement processes so that you can make data-driven decisions, better connecting technology development to targeted business value.**

About the Analyst



Nancy Gohring
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Nancy Gohring is research director for IDC’s Future of Digital Innovation market research service. She focuses on software innovation programs in the enterprise and their potential to drive efficiencies into corporate processes, generate new revenue streams, respond to customer demand, and improve competitiveness. Her research examines ways that enterprises can best execute on the four pillars of software innovation — plan, source, develop, and distribute — and highlights leading enterprises that have developed successful new approaches to these competencies.

[More about Nancy Gohring](#)

Message from the Sponsor

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