IT SERVICES

The Rates of Success, Goals, and Future Priorities of Digital Transformations, by Sector





The key findings for IT service companies

The IT services sector has focused on high demand for digital transformation in various sectors, marked by a strong leadership commitment and an integrated growth strategy—but it has faced significant challenges on talent and agile governance.

The pace of digital adoption in IT service companies needs to accelerate. Overall, 45% of IT service companies are in the win zone, a lower percentage than such other TMT segments as internet-based companies (58%) and hardware and devices companies (52%) have achieved.

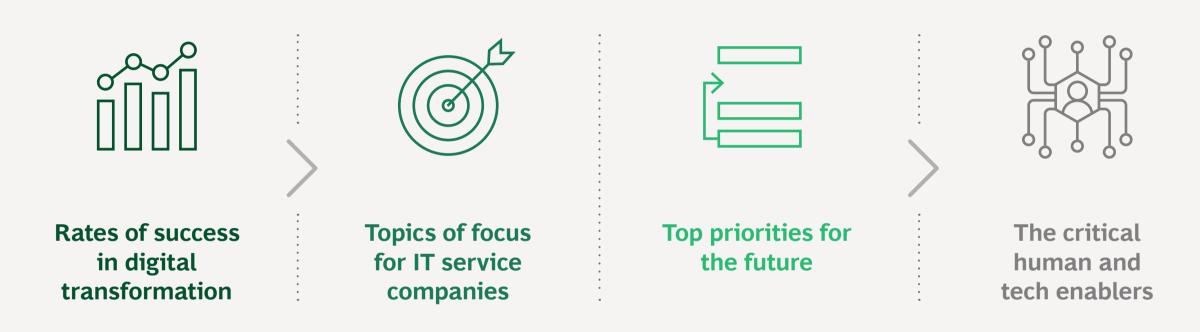
Most leading organizations have concentrated on external or client-facing digital initiatives such as customer experience and journeys, growth and business model innovation, sales and marketing acceleration, and digital ecosystem and partnerships.

The forward-looking digital agenda for IT service companies includes service delivery and operations, sales and marketing, security, support functions, and R&D.

Successful digital players are also pivoting toward internal digitization efforts such as digitizing employee journeys and support functions.

ESG considerations—especially those related to data privacy, cyber resilience, and the use of analytics for emissions reduction—are becoming more important.

The data in more depth



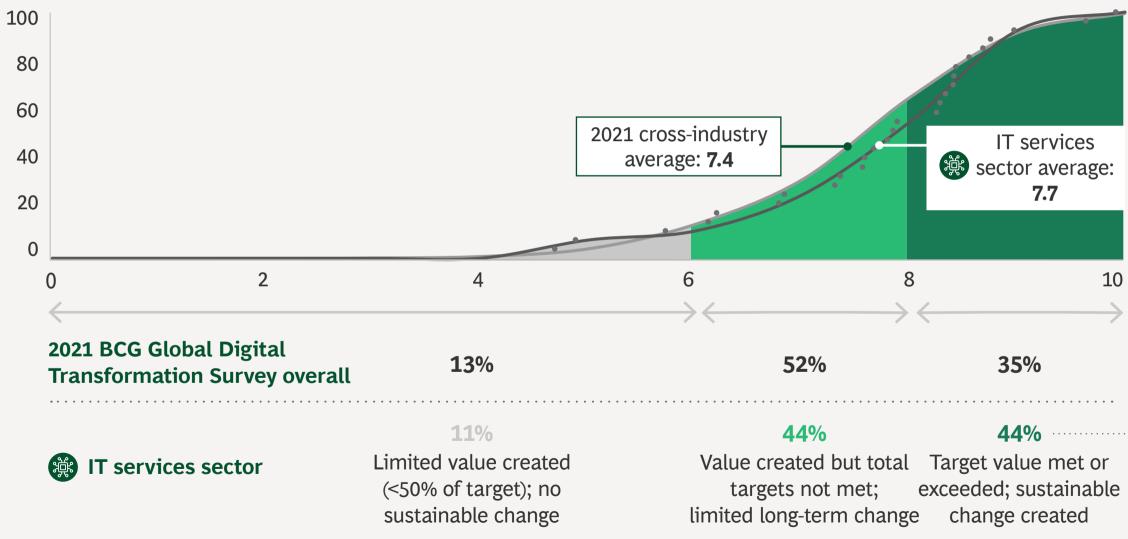




The role of ESG in digital transformation RATES OF SUCCESS

About 45% of IT service companies fall in the win zone, 1.3 times the cross-industry average

CASES BELOW SUCCESS SCORE (%)



Source: 2021 BCG Global Digital Transformation Survey.

Note: Survey question: "Across the following dimensions, please rate your organization's digital transformation experience to date on a scale of 1 to 10, using the guidelines in the table below." ¹Success score is calculated from respondents' answers on six dimensions of transformation: strategy; leadership; talent; agility; monitoring; and tech and data.

- IT services data points
- IT services
- Cross-industry
- Woe zone (success score <6)</p>
- Worry zone (success score ≥6–<8)</p>
- Win zone (success score ≥8)

SUCCESS SCORE¹

44% 1.3x cross-industry average

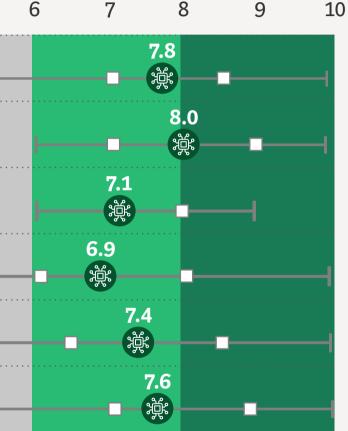
RATES OF SUCCESS

IT service companies nearly clear the bar on leadership commitment and integrated strategy, but struggle to achieve an agile governance mindset

| DISTI | RIBUTION OF SUCCESS SCORES ON INDIVIDUAL KEY FACTORS ¹ | 0 | 1 | 2 | 3 | 4 | 5 |
|-------|---|-----------|-----------|-------|---------|------------|------------|
| 1 | Integrated strategy with clear transformation goals | | | | | | |
| 2 | Leadership commitment from CEO through middle management | | | | | | |
| 3 | Deployment of high-caliber talent | | | | | | |
| 4 | An agile governance mindset that drives broader adoption | | | | | | ⊢ |
| 5 | Effective monitoring of progress toward defined outcomes | | | | | | |
| 6 | Business-led modular technology and data platform | | | | | | |
| Lower | extreme IT services average Upper or lower quartile Upper extreme Woe z | zone (suc | cess scor | e <6) | Worry z | zone (succ | cess score |

Source: 2021 BCG Global Digital Transformation Survey.

Note: Survey question: "Across the following dimensions, please rate your organization's digital transformation experience to date on a scale of 1 to 10 using the guidelines in the table below." ¹Success score is calculated from respondents' answers on six dimensions of transformation: strategy; leadership; talent; agility; monitoring; and tech and data.





Win zone (success score ≥8)

TOPICS OF FOCUS

The transformation priorities for IT services have been customer experience and journeys, growth and business model innovation, and cybersecurity

Strategic objectives

SHARE OF RESPONDENTS (%)



Scope of digital transformation¹

SHARE OF RESPONDENTS (%)

| Customer experience and journeys | | |
|---|--|--|
| Growth and business model innovation | | |
| Sales and market acceleration | | |
| Building resilience via cybersecurity and compliance | | |
| Digital ecosystem and partnerships | | |
| Supply chain | | |
| Digitizing support functions | | |
| Digital manufacturing and operations | | |
| Marketing and dynamic pricing | | |
| Digital procurement | | |
| New business venture | | |

Source: BCG Global Digital Transformation Survey, 2021, n = 30.

Note: Because of rounding, the percentages given for the strategic objectives do not add up to 100%.

¹Respondents were asked to select all priorities that applied.

| С | ROSS-INDL AVERAG | |
|----|---------------------|----|
| | 90 | 81 |
| 73 | | 72 |
| 70 | | 71 |
| 67 | | 54 |
| 67 | | 65 |
| 63 | | 48 |
| 60 | | 46 |
| 53 | | 50 |
| 50 | | 41 |
| 47 | | 54 |
|) | | 45 |
| | | |

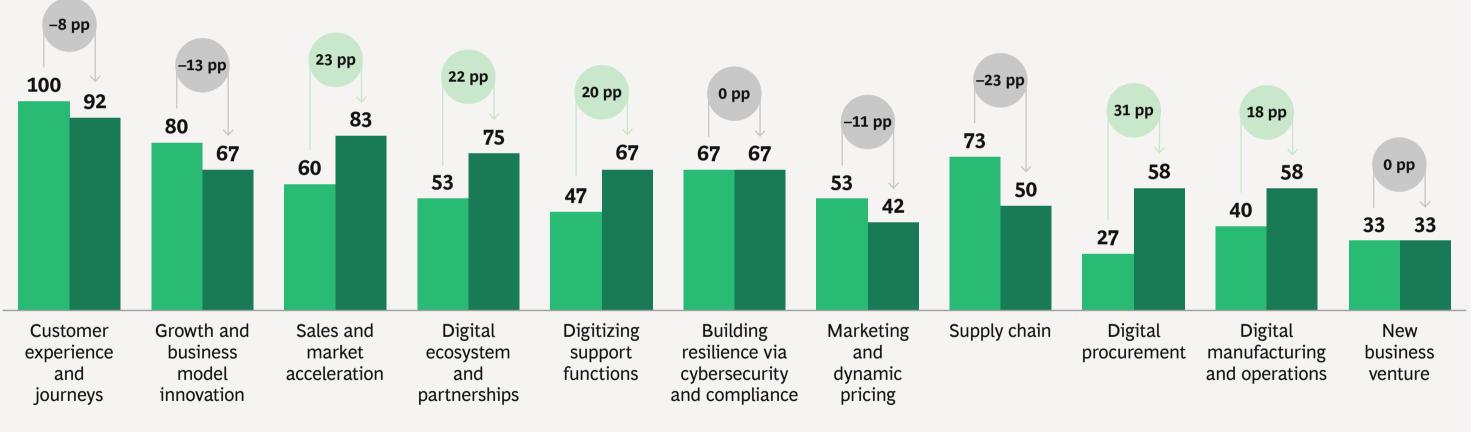
40

TOPICS OF FOCUS

Win-zone companies focus more on sales and marketing, partnerships, and support functions than worry- and woe-zone companies do

Scope of digital transformation

SHARE OF RESPONDENTS (%)



• Woe- and worry-zone IT service companies (combined)

Win-zone IT service companies
 Change of +5 pp or less

Source: BCG Global Digital Transformation Survey 2021, n = 30.

Note: Source question: "From the list of most common digital outcome areas and enablers in digital transformation, please help us identify the scope of your digital transformation (select all that apply)."

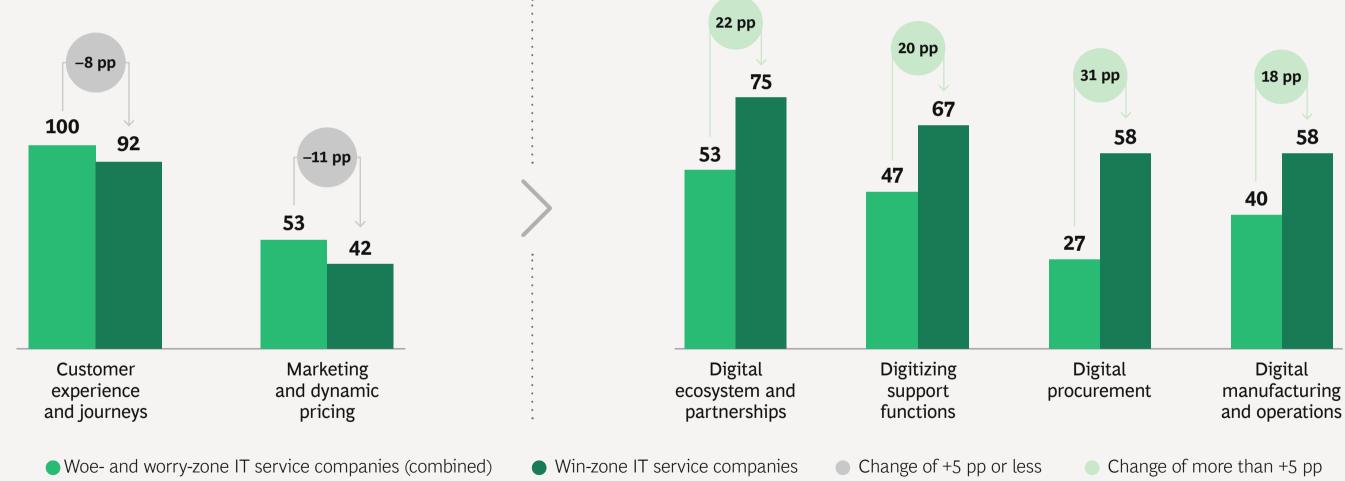
Change of more than +5 pp

TOPICS OF FOCUS

Win-zone companies are starting to shift focus from customer-oriented activities to topics related to digital operations and innovation

Scope of digital transformation

SHARE OF RESPONDENTS (%)



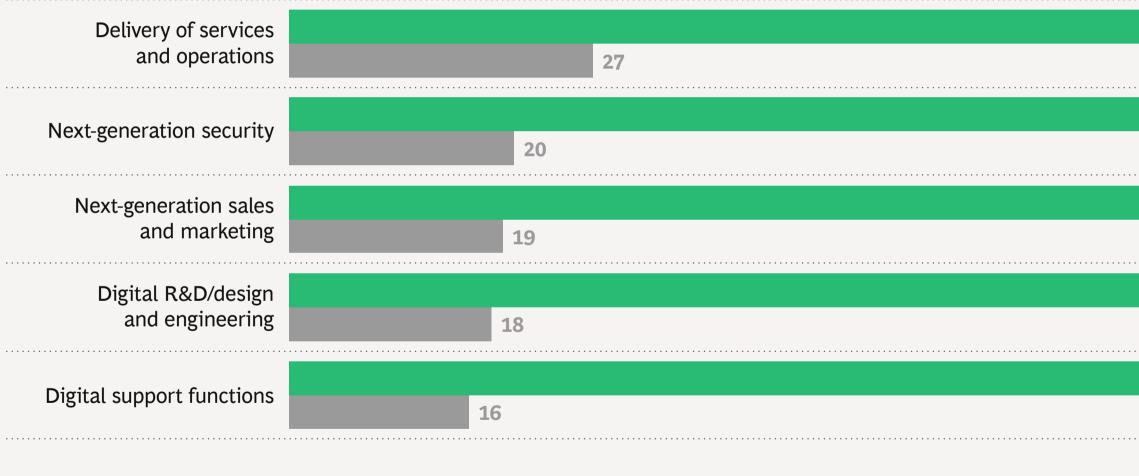
Source: 2021 BCG Global Digital Transformation Survey.

Note: Survey question: "From the list of most common digital outcome areas and enablers in digital transformation, please help us identify the scope of your digital transformation (select all that apply)."

manufacturing

Most IT service companies intend to invest half of their digital spending in delivery of services and operations and next-generation security

PLANNED SHARE OF WALLET SPENDING ALLOCATED ACROSS DIGITAL TOPICS IN THE NEXT TWO TO THREE YEARS (%)¹



• Share of respondents allocating any investment toward each digital topic

Average share of total investment

Source: 2021 BCG Global Digital Transformation Survey.

¹For example, the uppermost pair of bars can be read as "100% of IT service respondents plan to invest in delivery of services and operations, allocating an average 27% of total digital investment."

| | | 100 |
|----|----|-----|
| | 9 | 7 |
| | 90 | |
| 83 | | |
| | 93 | |

IT service companies' digital priorities: Delivery of services and operations

Digital initiatives (bars indicate relative prioritization of initiatives)

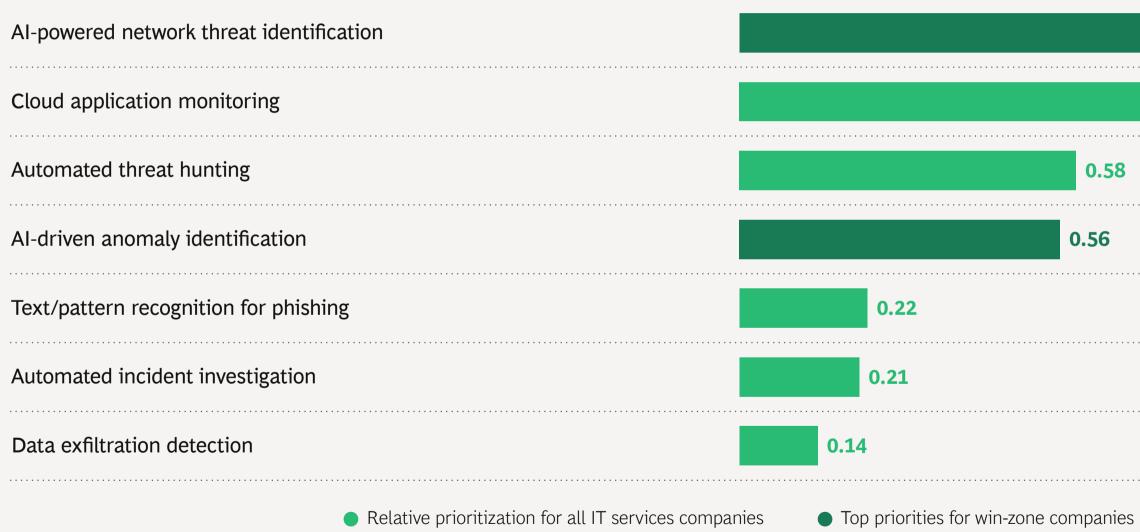
| Smart demand-forecasting engine | |
|--|---|
| Cloud data warehouse solutions to support data engineering | |
| Automation of product/delivery life cycles (continuous testing, integration) | |
| Optimized resource planning and allocation | |
| Capacity and profitability planning | |
| Efficient teaming using collaboration tools and communication channels | 0.59 |
| Digital tools to support agile delivery | 0.41 |
| Digital tools to identify potential areas of automation and focus | 0.34 |
| Digital control tower for transparency and people optimization | 0.32 |
| Relative prioritization for all IT services compared | anies • Top priorities for win-zone companies |



TOP PRIORITIES FOR THE FUTURE

IT service companies' digital priorities: Next-generation security

Digital initiatives (bars indicate relative prioritization of initiatives)





| | | 1.00 |
|-----|---|------|
| 0.7 | 2 | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

IT service companies' digital priorities: Next-generation sales and marketing

Digital initiatives (bars indicate relative prioritization of initiatives)

| nts |
|------|
| |
| |
| |
| 0.6 |
| 0.54 |
| 0.31 |
| 0.31 |
| 0.03 |
| |

Relative prioritization for all IT services companies

| | 1.00 | D |
|-----|------|---|
| | 0.97 | |
| | 0.88 | |
| 0.8 | 32 | |
| 53 | | |
| | | |
| | | |
| | | |
| | | |
| | | |

IT service companies' digital priorities: Digital R&D and design and engineering

Digital initiatives (bars indicate relative prioritization of initiatives)

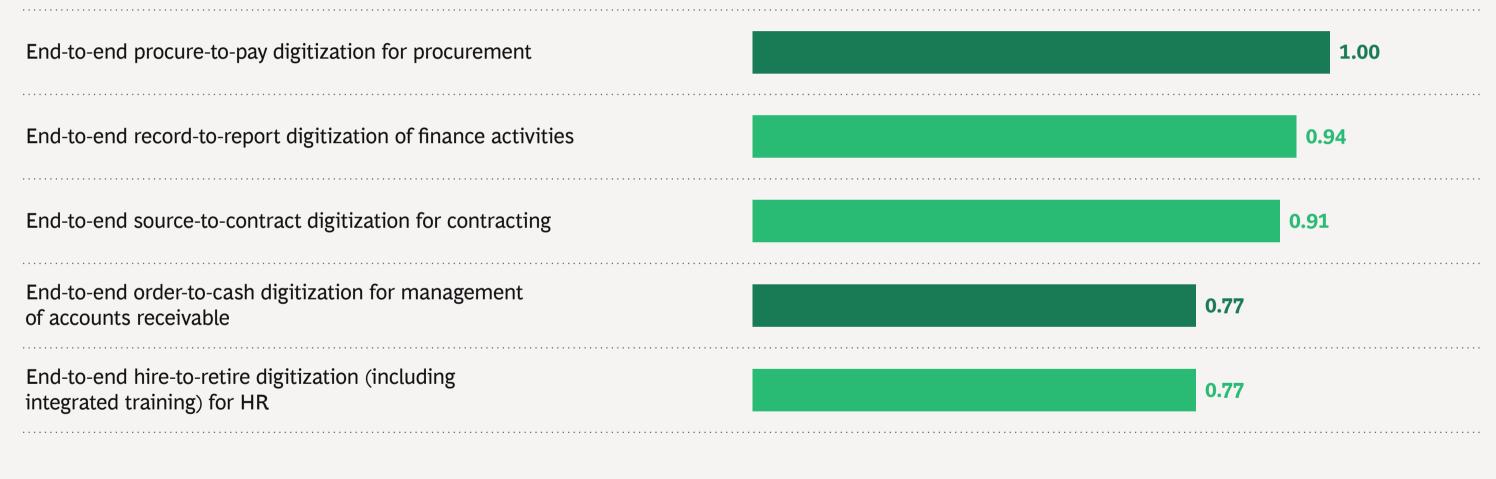
| Real-time customer data collection to guide design and research | 1.00 | |
|--|---|--|
| ML-driven product design, planning, and development | 1.00 | |
| Analytics-enabled responsive engineering and R&D | 0.74 | |
| Digital twin to enable real-time analysis of product development and performance | 0.50 | |
| Next-generation integrated design and product-engineering services | 0.43 | |
| Data-driven estimate of post-release failure early in development cycle | 0.28 | |
| Digital auto-updating of information for compliance | 0.15 | |
| Automation of digital pipeline | 0.15 | |
| Predictive product testing | 0.13 | |
| Relative prioritization for all IT services company | ies • Top priorities for win-zone companies | |



TOP PRIORITIES FOR THE FUTURE

IT service companies' digital priorities: Digital support functions

Digital initiatives (bars indicate relative prioritization of initiatives)



• Relative prioritization for all IT services companies

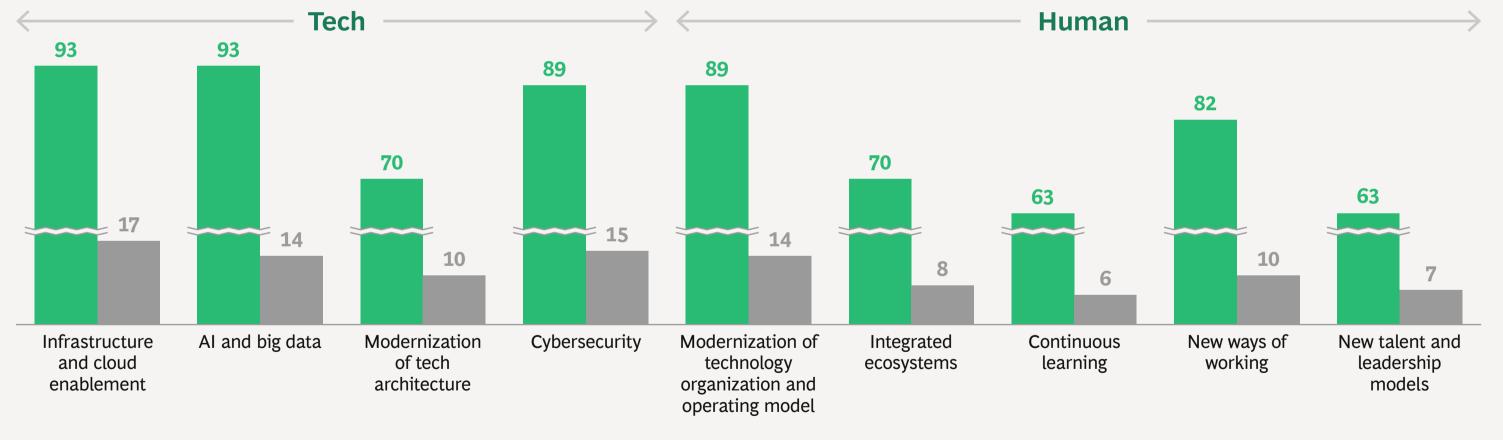
Top priorities for win-zone companies



THE CRITICAL ENABLERS IT service companies intend to invest across a broad range of tech and human enablers

Nine out of ten IT service companies plan to invest in infrastructure and cloud enablement, AI and big data, cybersecurity, and modernization of tech organization allocating on average about 60% of their total digital enabler spending to these areas

PLANNED SHARE OF WALLET SPENDING ALLOCATED ACROSS ENABLER DIGITAL TOPICS IN THE NEXT TWO TO THREE YEARS (%)¹



• Share of respondents allocating any investment toward digital topic

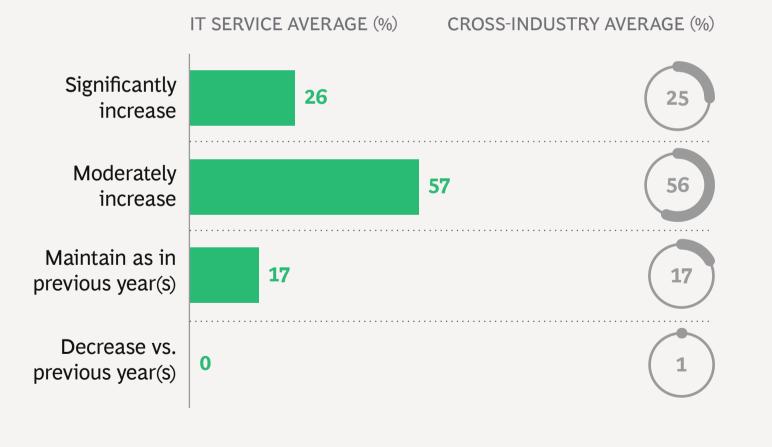
Average share of total investment

Source: 2021 BCG Global Digital Transformation Survey, n = 30.

¹For example, the leftmost pair of bars can be read as "93% of IT service respondents plan to invest in Infrastructure and cloud enablement, allocating an average 17% of their total digital enablers spending."

About 83% of IT service companies plan to increase investments in ESG (in line with cross-industry averages)

Share of respondents planning to increase/decrease/ maintain investment toward ESG in coming years



... with greater emphasis on S and G dimensions

Leading digital initiatives being prioritized to support E, S, and G goals

| Environment | Reducing carbon footpr predictive maintenance driven by AI and analyt Digital supply chain opt |
|-------------|--|
| Social | Ensuring protection of a and/or customers' data Improving employee he through software solution |
| Governance | Critical risk incident ma building cyber resilience Real-time tracking/mon |

SHARE OF RESPONDENTS PRIORITIZING (%)

rint through e of assets ~47 tics timization clients', employees', ~80 ealth and safety ions, wearables, etc. anagement, ~62 nitoring of risk

If you would like to discuss this topic, please contact one of the authors:



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