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.

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.

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

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.

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

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

Source: BCG analysis.
The data in more depth

Rates of success in digital transformation
Topics of focus for IT service companies
Top priorities for the future
The critical human and tech enablers
The role of ESG in digital transformation

Source: BCG analysis.
About 45% of IT service companies fall in the win zone, 1.3 times the cross-industry average.
IT service companies nearly clear the bar on leadership commitment and integrated strategy, but struggle to achieve an agile governance mindset

RATES OF SUCCESS

DISTRIBUTION OF SUCCESS SCORES ON INDIVIDUAL KEY FACTORS

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

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.”
'Success score is calculated from respondents’ answers on six dimensions of transformation: strategy; leadership; talent; agility; monitoring; and tech and data.
The transformation priorities for IT services have been customer experience and journeys, growth and business model innovation, and cybersecurity.

### Strategic Objectives

**SHARE OF RESPONDENTS (%)**

- Improvement in customer experience and go-to-market: 31%
- Innovation and growth in the core and beyond: 27%
- Performance improvement through the operational value chain: 24%
- Performance improvement in support functions: 19%

### Scope of Digital Transformation

**SHARE OF RESPONDENTS (%)**

<table>
<thead>
<tr>
<th>Topic</th>
<th>SHARE OF RESPONDENTS (%)</th>
<th>CROSS-INDUSTRY AVERAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer experience and journeys</td>
<td>90</td>
<td>81</td>
</tr>
<tr>
<td>Growth and business model innovation</td>
<td>73</td>
<td>72</td>
</tr>
<tr>
<td>Sales and market acceleration</td>
<td>70</td>
<td>71</td>
</tr>
<tr>
<td>Building resilience via cybersecurity and compliance</td>
<td>67</td>
<td>54</td>
</tr>
<tr>
<td>Digital ecosystem and partnerships</td>
<td>67</td>
<td>65</td>
</tr>
<tr>
<td>Supply chain</td>
<td>63</td>
<td>48</td>
</tr>
<tr>
<td>Digitizing support functions</td>
<td>60</td>
<td>46</td>
</tr>
<tr>
<td>Digital manufacturing and operations</td>
<td>53</td>
<td>50</td>
</tr>
<tr>
<td>Marketing and dynamic pricing</td>
<td>50</td>
<td>41</td>
</tr>
<tr>
<td>Digital procurement</td>
<td>47</td>
<td>54</td>
</tr>
<tr>
<td>New business venture</td>
<td>40</td>
<td>45</td>
</tr>
</tbody>
</table>

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

1 Respondents were asked to select all priorities that applied.
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 (%)**

- **Customer experience and journeys**
  - Woe- and worry-zone IT service companies (combined): 100
  - Win-zone IT service companies: 92
  - Change of +5 pp or less: 80
  - Change of more than +5 pp: 67

- **Growth and business model innovation**
  - Woe- and worry-zone IT service companies (combined): 60
  - Win-zone IT service companies: 83
  - Change of +5 pp or less: 53
  - Change of more than +5 pp: 75

- **Sales and market acceleration**
  - Woe- and worry-zone IT service companies (combined): 67
  - Win-zone IT service companies: 47
  - Change of +5 pp or less: 67
  - Change of more than +5 pp: 67

- **Digital ecosystem and partnerships**
  - Woe- and worry-zone IT service companies (combined): 23 pp
  - Win-zone IT service companies: 22 pp
  - Change of +5 pp or less: 0 pp
  - Change of more than +5 pp: 0 pp

- **Digitizing support functions**
  - Woe- and worry-zone IT service companies (combined): 73 pp
  - Win-zone IT service companies: 53 pp
  - Change of +5 pp or less: 73
  - Change of more than +5 pp: 50

- **Building resilience via cybersecurity and compliance**
  - Woe- and worry-zone IT service companies (combined): –23 pp
  - Win-zone IT service companies: –23 pp
  - Change of +5 pp or less: 27
  - Change of more than +5 pp: 58

- **Marketing and dynamic pricing**
  - Woe- and worry-zone IT service companies (combined): 0 pp
  - Win-zone IT service companies: 0 pp
  - Change of +5 pp or less: 40
  - Change of more than +5 pp: 58

- **Supply chain**
  - Woe- and worry-zone IT service companies (combined): 0 pp
  - Win-zone IT service companies: 0 pp
  - Change of +5 pp or less: 33
  - Change of more than +5 pp: 33

- **Digital procurement**
  - Woe- and worry-zone IT service companies (combined): 31
  - Win-zone IT service companies: 58
  - Change of +5 pp or less: 40
  - Change of more than +5 pp: 58

- **Digital manufacturing and operations**
  - Woe- and worry-zone IT service companies (combined): 18
  - Win-zone IT service companies: 42
  - Change of +5 pp or less: 27
  - Change of more than +5 pp: 73

- **New business venture**
  - Woe- and worry-zone IT service companies (combined): 20
  - Win-zone IT service companies: 67
  - Change of +5 pp or less: 20
  - Change of more than +5 pp: 67

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).”
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 (%)

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SHARE OF RESPONDENTS</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer experience and journeys</td>
<td>100</td>
<td>-8 pp</td>
</tr>
<tr>
<td>Marketing and dynamic pricing</td>
<td>92</td>
<td>-11 pp</td>
</tr>
<tr>
<td>Digital ecosystem and partnerships</td>
<td>53</td>
<td>22 pp</td>
</tr>
<tr>
<td>Digitizing support functions</td>
<td>75</td>
<td>20 pp</td>
</tr>
<tr>
<td>Digital procurement</td>
<td>47</td>
<td>31 pp</td>
</tr>
<tr>
<td>Digital manufacturing and operations</td>
<td>58</td>
<td>18 pp</td>
</tr>
</tbody>
</table>

Woe- and worry-zone IT service companies (combined) Win-zone IT service companies Change of +5 pp or less Change of more than +5 pp

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).”
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 (%)

- **Delivery of services and operations**: 100% of IT service respondents plan to invest, with an average 27% of total digital investment.
- **Next-generation security**: 97% of IT service respondents plan to invest, with an average 20% of total digital investment.
- **Next-generation sales and marketing**: 90% of IT service respondents plan to invest, with an average 19% of total digital investment.
- **Digital R&D/design and engineering**: 83% of IT service respondents plan to invest, with an average 18% of total digital investment.
- **Digital support functions**: 93% of IT service respondents plan to invest, with an average 16% of total digital investment.

Source: 2021 BCG Global Digital Transformation Survey

*For 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.”*
TOP PRIORITIES FOR THE FUTURE

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

Digital initiatives (bars indicate relative prioritization of initiatives)

- Smart demand-forecasting engine: 1.00
- Cloud data warehouse solutions to support data engineering: 1.00
- Automation of product/delivery life cycles (continuous testing, integration): 1.00
- Optimized resource planning and allocation: 0.75
- Capacity and profitability planning: 0.73
- 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

### Digital Initiatives (bars indicate relative prioritization of initiatives)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Prioritization</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI-powered network threat identification</td>
<td>1.00</td>
</tr>
<tr>
<td>Cloud application monitoring</td>
<td>0.72</td>
</tr>
<tr>
<td>Automated threat hunting</td>
<td>0.58</td>
</tr>
<tr>
<td>AI-driven anomaly identification</td>
<td>0.56</td>
</tr>
<tr>
<td>Text/pattern recognition for phishing</td>
<td>0.22</td>
</tr>
<tr>
<td>Automated incident investigation</td>
<td>0.21</td>
</tr>
<tr>
<td>Data exfiltration detection</td>
<td>0.14</td>
</tr>
</tbody>
</table>

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

**TOP PRIORITIES FOR THE FUTURE**

Digital initiatives (bars indicate relative prioritization of initiatives)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Relative Prioritization for All IT Services Companies</th>
<th>Top Priorities for Win-Zone Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personalized offering and targeting based on data-driven customer insights</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Demand sensing/forecasting (e.g., ML to pick up sales signals)</td>
<td>0.97</td>
<td></td>
</tr>
<tr>
<td>Digital immersion experience creation for client engagement</td>
<td>0.88</td>
<td></td>
</tr>
<tr>
<td>Automated pricing generation and dynamic pricing adjustment</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>Marketing automation system</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>Account planning through digital tools (e.g., dashboards)</td>
<td>0.54</td>
<td></td>
</tr>
<tr>
<td>Smart contract management (automated contract generation, eSign for contracts)</td>
<td>0.31</td>
<td></td>
</tr>
<tr>
<td>Data-driven key account identification</td>
<td>0.31</td>
<td></td>
</tr>
<tr>
<td>Data-driven churn management</td>
<td>0.03</td>
<td></td>
</tr>
</tbody>
</table>

### Digital initiatives (bars indicate relative prioritization of initiatives)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Prioritization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real-time customer data collection to guide design and research</td>
<td>1.00</td>
</tr>
<tr>
<td>ML-driven product design, planning, and development</td>
<td>1.00</td>
</tr>
<tr>
<td>Analytics-enabled responsive engineering and R&amp;D</td>
<td>0.74</td>
</tr>
<tr>
<td>Digital twin to enable real-time analysis of product development and performance</td>
<td>0.50</td>
</tr>
<tr>
<td>Next-generation integrated design and product-engineering services</td>
<td>0.43</td>
</tr>
<tr>
<td>Data-driven estimate of post-release failure early in development cycle</td>
<td>0.28</td>
</tr>
<tr>
<td>Digital auto-updating of information for compliance</td>
<td>0.15</td>
</tr>
<tr>
<td>Automation of digital pipeline</td>
<td>0.15</td>
</tr>
<tr>
<td>Predictive product testing</td>
<td>0.13</td>
</tr>
</tbody>
</table>

IT service companies’ digital priorities: Digital support functions

Digital initiatives (bars indicate relative prioritization of initiatives)

- End-to-end procure-to-pay digitization for procurement: 1.00
- End-to-end record-to-report digitization of finance activities: 0.94
- End-to-end source-to-contract digitization for contracting: 0.91
- End-to-end order-to-cash digitization for management of accounts receivable: 0.77
- End-to-end hire-to-retire digitization (including integrated training) for HR: 0.77

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 (%)

<table>
<thead>
<tr>
<th>Tech Enablers</th>
<th>Share of respondents allocating any investment toward digital topic</th>
<th>Average share of total investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure and cloud enablement</td>
<td>93%</td>
<td>17%</td>
</tr>
<tr>
<td>AI and big data</td>
<td>93%</td>
<td>14%</td>
</tr>
<tr>
<td>Modernization of tech architecture</td>
<td>70%</td>
<td>10%</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>89%</td>
<td>15%</td>
</tr>
<tr>
<td>Modernization of technology organization and operating model</td>
<td>89%</td>
<td>14%</td>
</tr>
<tr>
<td>Integrated ecosystems</td>
<td>70%</td>
<td>8%</td>
</tr>
<tr>
<td>Continuous learning</td>
<td>63%</td>
<td>6%</td>
</tr>
<tr>
<td>New ways of working</td>
<td>82%</td>
<td>10%</td>
</tr>
<tr>
<td>New talent and leadership models</td>
<td>63%</td>
<td>7%</td>
</tr>
</tbody>
</table>


*For 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 enabler spending."
About 83% of IT service companies plan to increase investments in ESG (in line with cross-industry averages) … with greater emphasis on S and G dimensions

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

<table>
<thead>
<tr>
<th></th>
<th>IT SERVICE AVERAGE (%)</th>
<th>CROSS-INDUSTRY AVERAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly increase</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>Moderately increase</td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Maintain as in previous year(s)</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Decrease vs. previous year(s)</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

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

- **Environment**
  - Reducing carbon footprint through predictive maintenance of assets driven by AI and analytics
  - Digital supply chain optimization

- **Social**
  - Ensuring protection of clients’, employees’, and/or customers’ data
  - Improving employee health and safety through software solutions, wearables, etc.

- **Governance**
  - Critical risk incident management, building cyber resilience
  - Real-time tracking/monitoring of risk

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

**SAIBAL CHAKRABORTY**
Managing Director & Partner, New Delhi
chakraborty.saibal@bcg.com
+91 124 459 7274

**SUMIT SARAWGI**
Managing Director & Senior Partner, New Delhi
sarawgi.sumit@bcg.com
+91 124 459 7233

**NAVNEET VASISHTH**
Managing Director & Senior Partner, London
vasishth.navneet@bcg.com
+44 7500 828172

**DEREK KENNEDY**
Managing Director & Senior Partner, San Francisco
kennedy.derek@bcg.com
+1 415 732 8124

**SCOTT STEMBERGER**
Managing Director & Senior Partner, Denver
stemberger.scott@bcg.com
+1 720 800 9803