The Digital-Native Enterprise: The Red Hat and Devoteam Success Formula

Welcome to the Digital Economy

Across all industries, enterprises are on a mission to reinvent themselves as technology companies — to transform operations and business models using new digital capabilities. For many enterprises, digital transformation has evolved well beyond the hype. We have seen industry leaders massively embracing digital as a business imperative and exploring revolutionary use cases that have the power to introduce new levels of productivity and new revenue streams.

IDC believes that by 2027, 75% of large organizations will have digitally transformed and become what IDC refers to as a digital-native enterprise (DNE). These are organizations that are not born digital, but become digital in what they produce, how they operate, and how executives and employees think. A DNE can scale its operations and innovate at a pace that is an order of magnitude greater than traditional businesses. It is driven by a customer-centric and empowered workforce that embraces risk taking as it seeks to continuously innovate. Technology and data are its lifeblood, fueling more efficient operations, new revenue streams, and customer loyalty. A DNE adopts an "outside in" approach, leveraging its ecosystem (customers, partners, suppliers, etc.) to dynamically evolve offerings and even its business model.

What is digital transformation and how does an organization become a DNE? At its core digital transformation describes how technology is being used to fundamentally improve all aspects of society. For most organizations this will mean developing technology competencies that change the nature of their business, using innovation and creative solutions to enhance experiences and improve financial performance. Simply modernizing the technology underpinning existing systems is not transformation. Perhaps digital transformation is best described along the lines of a spectrum (see Figure 1). At one end it's about digital business optimization, whereby organizations focus on IT-enabled processes and services. These investments do not change the primary processes of an organization but focus on improving the backend through, for example, the automation of physical and digital operations, connected devices, and workflow management tools. At the other end of the spectrum it is all about digital business innovation. This is where we see IT becoming the "product" — a contributor to topline performance. Organizations start moving toward delivering offerings to the broader ecosystem, forming new connections and revenue streams. Organizations going through a digital transformation journey may be focusing on just one of these areas, but a true DNE will have mastered both ends of the spectrum.

Figure 1
The Spectrum of Digital Transformation

Digital Business Optimization		Digital Business Innovation	
IT-Enabled Business Processes	IT-Enabled Services	IT is the Product	Platform for the Ecosystem
Automating Business Processes	Transforming Business Processes	Creating Digitally Enabled Products and Services	Creating New Connections and Revenue Streams

Source: IDC, 2018

Digital Transformation is a Journey

Concrete evidence for the benefit of digital can be found across industries. For instance, when comparing "digital leaders" and "digital laggards" in financial services, banks that have a focus on digital sales and experiences earn 43% more revenue than those that do not. In addition, profitability and operating margins are significantly better too.

Given the massive challenges and opportunities that digital transformation represents, it is important to understand that all organizations are on a transformation journey — whether they admit it or not. But this journey is not like most other journeys; in every industry it is a race to see who can transform the quickest.

First movers have already gained a competitive advantage by focusing on delivering exceptional customer experience and transforming operations. However, IDC is now seeing the investments in digital going mainstream. In fact, IDC forecasts that digital transformation spending in Europe will reach $272 billion by 2020, a 37% increase from 2017.

Digital Maturity

That digital has gone mainstream is also reflected in IDC's 2017 *European Digital Survey* (n = 423), which shows that 89% of organizations have it as a business priority. However, not all companies understand the potential of digital in their businesses in the same way, nor are they at the same stages of maturity in their journey. To this extent, IDC has developed a digital transformation maturity model, and benchmarks over 2,000 organizations worldwide every year to understand where organizations sit.

Did you know?
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Source: IDC, 2017

DIGITAL MATURITY STAGES

Stage 1: Digital Resister
Only ad hoc and partial adoption of digital technologies and processes.

Stage 2: Digital Explorer
Opportunistic adoption of digital technologies without comprehensive transformation of processes.

Stage 3: Digital Player
*Initial phase of process transformation with digital technologies being embedded in a repeatable way.*

Stage 4: Digital Transformer
Managing advanced digital transformation based on reorganized processes not yet fully completed.

Stage 5: Digital Disrupter
Fully achieved digital transformation with capability to leverage digital technologies to launch innovative and disruptive services/products.
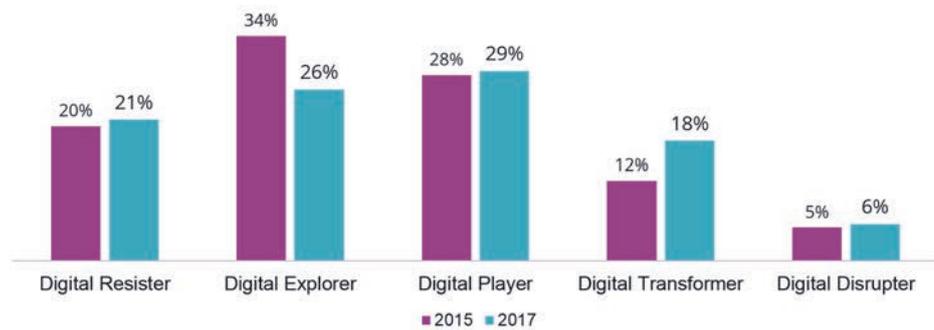
As shown in Figure 2, since 2015, the maturity of Western European enterprises has evolved significantly. There has been a reduction in organizations that are classified as "digital explorers." Many of these organizations have advanced to the "digital player" or "digital transformer" status, indicating that they are seeing profitable returns on their investments. In 2017 one in five (21%) European organizations was still classified as a "digital resister."

Furthermore, 55% of European enterprises appear to be stuck in the digital explorer and digital player maturity stages, which are still far from full maturity and from becoming a DNE — the ideal end of the maturity path. DNEs have moved beyond the digital transformer stage and successfully operate in the "digital disrupter" stage.

Leading in Digital

In most DNEs, CEOs are in the driver's seat — 33% of European organizations indicate that the CEO already oversees all digital initiatives. However, although the execution of an organization's digital objectives can come from anywhere, IDC has found that most initiatives are being driven out of the IT department.

Transformation can be incredibly difficult for an organization. Even after dedicated teams have been formed, most organizations launch initiatives on an ad hoc basis, or they have trouble scaling the objectives and projects across the entire enterprise. Often these organizations are stuck on their digital journey.

On one hand, these organizations are faced with a lack of enterprise confidence to provide the required resources to scale these digital use cases to a point where they can deliver significant value to the organization. On the other hand, use cases are often inhibited by the IT landscape on which the organization is built. This is the root cause for the formation of "islands of innovation," whereby each digital initiative rests on its own technological foundation. These islands of innovation can deliver significant value to the business but increase the complexity of the IT environment and inhibit the transformation of the broader organization.

"Digital is about being open, sharing the progress we are making, and shifting into a new world of banking."
Alain Voiment, Deputy Global CTO, Société Générale

"Seeing the speed at which new changes are coming, I would say [the business] will be rather different in 5–10 years but how exactly, I do not know."
Nicolas Kaczmarek, Team Leader, Web Application Servers, Proximus

Becoming a Digital-Native Enterprise

Every organization will execute its digital transformation journey in a slightly different way. For example, some organizations prioritize the productivity of the organization by improving how employees work and collaborate; others transform how they engage with customers. The strategic priorities, digital programs, and road maps evolve as organizations build, test, and run different applications and digital use cases across the business.

To better understand how organizations drive their transformation journeys, IDC interviewed three leading European organizations from different industries: Société Générale, a French multinational banking and financial services company; Proximus, a telecommunications operator in Belgium; and Sanofi, a French multinational pharmaceutical company.

Business is Digital

Although the technology discussion garners most of the attention in the industry, digital initiatives should be driven by the impact they will have on the business model of an organization. This is especially because that is how an organization creates and delivers value to customers and captures value for itself.

For example, the digital journey at **Société Générale** started with improving the user experience (UX) for customers, but new regulations such as the payment service directive (PSD2, Directive [EU] 2015/2366) sparked a broader transformation journey that encompasses all of the services it can deliver to its customers. At **Proximus**, the senior executive team developed a road map whereby it is not just about the interactions with customers but also about an internal transformation from the start.

Over the years, most business processes have already been augmented or supplemented by enterprise applications in some shape or form. It is safe to say that all businesses depend on IT to operate. In a way, the business is already digital, but most don't leverage its full potential.

Where many new opportunities exist is in leveraging the data collected by these systems to improve decision making and services. Data-driven innovation is one of the main goals at **Sanofi**, which is also why the company has appointed an official chief data officer to oversee these activities. This role will enable digital integrations with partners and help reduce the operational costs of the business. Ultimately, a DNE will connect its systems to the ecosystem to optimize and automate existing operations and generate new revenue streams.

Technology is Critical

The reason why technology is so central to the digital transformation discussion is because it is vital to the success of an organization. Most organizations deal with complex technology landscapes, and if they do not select the most appropriate solutions for their services, they will run into bottlenecks along the way. IDC believes that the technology decisions organizations make today will be some of the most important decisions for the coming decade.

One of the biggest pitfalls for an organization is operating IT at different speeds. Successful transformation requires a holistic transformation, whereby both digital IT and core enterprise IT are aligned to support the innovation required from the business.

At **Société Générale**, and many other organizations, the digital transformation journey means leveraging new technologies, cloud being the first, and deploying open source software across the broader IT landscape. **Société Générale** believes that it is not always necessary to replace legacy IT, but it is more important to modernize the working environment to ensure that systems can keep up with the speed of the business. Ultimately **Société Générale** aims to ensure that all infrastructure is accessible via APIs to the rest of the organization.

Sanofi has similar goals and has already restructured its entire hosting and cloud strategy using a simplified enterprise digital platform architecture on Red Hat OpenShift, which has enabled containerized applications in the cloud. This new architecture forms a technology foundation for the business and provides the scalability the business needs to operate at increasingly higher velocities. It also enables the IT department to focus on supporting and developing value-added services by reducing the amount of time IT professionals need to spend maintaining physical infrastructure.

Proximus is currently experimenting with emerging technologies such as chatbots, voice control, and machine learning, which can raise productivity levels, streamline supply chains, and improve the value propositions for customers.

When transitioning technology, open source software is becoming the norm for many cloud requirements. Code transparency, proven solutions (OpenStack, Docker, Kubernetes, etc.), and good features/price ratio are all benefits that users expect to find in open source. More importantly, a DNE would select open source software because it should limit the creation of new technology debt and instill confidence that the solutions will evolve over time to support both future and current business requirements.

Culture is Integral

Ultimately, success weighs more heavily on the culture of an organization than technology or even the business model. The attitudes and behavior of the people within an organization can make or break any strategy. Experimenting with digital initiatives means taking risks. Employees, however, are generally reluctant to do so — especially within the IT department where projects tend to be scrutinized on ROI, security, and risks. It can therefore be extremely difficult for businesses to introduce new working practices such as agile operations.

"It takes more time to change mindsets than to adopt new technologies."
Dominique Hervé, Head of Infrastructure Program Management, Sanofi

Across Europe, as part of the shift to digital business models, we see the rise of the DevOps-driven enterprise. IDC found in 2017 that close to three-quarters of large European organizations claim to have adopted DevOps in some shape or form. And while operational models and technology investment strategies to support DevOps are still evolving, we are starting to witness a widening gap between enterprises in experimentation mode and those that are well-versed in the benefits and rapidly deploying DevOps to accelerate business change.

DevOps is the intersection of people, processes, and technology that aligns with business leadership, culture, and strategy. Fundamentally, DevOps enables teams to perform frequent but minor updates to any particular service. This is enabled by giving developers more autonomy and responsibility to ensure high service levels and improve customer experiences. In principle, the culture of DevOps is very similar to the culture of open source as both focus on achieving high levels of collaboration, flexibility, and service delivery in cross-functional teams.

At **Société Générale** DevOps has been deployed to shorten the relationship between teams responsible for infrastructure and development. **Sanofi** said it has helped it to improve productivity by enabling a way of working that brings people closer together. This, however, has been a very difficult transition.

Culturally, digital transformation doesn't end with DevOps; operating at a pace that is a magnitude faster than what organizations are doing today requires the broader organization to operate in a similar way. The agile principles in DevOps can be applied to any part of the organization — it is not exclusive to IT. **Proximus** believes this is the most under-estimated and difficult part of the transformation journey because people tend to work in silos. With agile, people are expected to work in cross-functional teams, which challenges the processes, mindset, and culture of the organization.

Devoteam and Red Hat: The Success Formula

Business, technology, and culture come together in the way Red Hat and Devoteam join forces. Devoteam, a digital services and technology consulting firm operating across Europe and the Middle East, is using the power of open source provided by Red Hat to radically transform the way its customers operate.

Devoteam: The "Digital Transformaker"

Devoteam has focused its business on helping customers progress on their digital transformation journeys. It is Devoteam's mission to be the "digital transformaker" in the journeys of its customers — not just helping define what IT and business strategy should look like, but also making this happen by going along for the ride.

"Devoteam is pragmatic and closer to the ground compared to our other partners. When Société Générale uses Devoteam, we gain a concrete view of what the true requirements are for an IT project."
Alain Voiment, Deputy Global CTO, Société Générale

"At Devoteam we don't just think about strategy, we go down deep to make things happen."
Sebastien Chevrel, COO, Devoteam

"Devoteam has become a strategic partner in EMEA with eight Premier status countries. With a clear focus on DevOps and OpenShift we are able to assist each other and succeed in great digital transformation projects throughout Europe."
Carine Braun-Heneault, Senior Regional Director, France and Iberia, Red Hat

Devoteam's strategy is centered around helping customers scale their digital transformation initiatives — or, in other words, delivering value and growth to customers. Often this means helping organizations make sense of emerging technologies (such as cloud, mobility, and analytics) and successfully deploying new services across the enterprise. To do this, the company has been investing heavily to accumulate the talent, skills, and mindset necessary to launch these initiatives.

Yet skills and mindset need to be transferred to the customer for it to be successful. Devoteam believes that the era of traditional business process outsourcing (BPO) and offshore IT services is coming to an end. Digital transformation needs to come from within the organization. It needs to be core to the operations and culture of an organization. Devoteam therefore strives to engage its customers by standing in front of them: becoming part of the IT team and sharing responsibility as well as accountability for the success of a project.

It believes it is imperative that the IT organization supports the business shift, whether it decides to transform its business or operating model. At their core, organizations need to become more entrepreneurial, which requires a transformation in culture by embracing agile working practices, new talent, and a true focus on innovation.

In Devoteam's quest to support customers, it had to reassess its technology partners. The company recognizes that enterprises (especially the big ones) are struggling to transition to a public cloud environment. They need to consolidate legacy infrastructure, while modernizing the technology landscape. They need to secure mission-critical applications, while improving performance. They need to accelerate software development, while reducing the deployment times.

Devoteam decided that if it truly wants to help its customers, it will need to make bets on the technologies that will enable and empower the transition to a modernized IT environment. The company has therefore selected three strategic technology partners and will continue to invest heavily to develop the capabilities and expertise required to successfully deploy the technology together with and on behalf of its customers.

The strategic partnership between Devoteam and Red Hat was formed in 2016. Devoteam believes that Red Hat technology can help customers move toward a hybrid cloud environment, while introducing a culture of agile IT using Red Hat's tools for DevOps.

Red Hat: A Leader in Open Source

Founded in 1993, Red Hat is a multinational enterprise open source software company. The company's mission is to be a key market catalyst by enabling enhanced enterprise technology solutions through open source software. It is achieving this by participating in and creating community-powered upstream projects, fostering open community platforms, and commercializing platforms with a rich partner ecosystem of services and certifications.

"Devoteam people are demonstrating their added value to us every day by helping us in the setup, tuning, and debugging of our new key platforms mostly based on Red Hat products."
Nicolas Kaczmarek, Team Leader, Web Application Servers, Proximus

"We implemented OpenShift and leveraged a team of the best possible consultants for the implementation which consisted of 80% Red Hat and 20% Devoteam. This was critical to the success of our project because we are experimenting with new things and really needed the guidance from the right experts."
Dominique Hervé, Head of Infrastructure Program Management, Sanofi

Red Hat is focused on fostering and engaging in strategic alliances to collaborate on technology solutions that would be very difficult through traditional proprietary approaches. This strategy is based on a core belief that open source technology values, such as meritocracy, community building, and transparency, are changing the way we approach business and life, and that openness is the default 21st century innovation model.

In light of digital transformation, Red Hat wants to help customers "surf the wave" and believes that most enterprises will require support for a flexible, automated, and scalable IT landscape that can maximize the value from existing and new technology investments. Red Hat's solutions are therefore focused on utilizing critical technology areas such as IoT integration and development (JBoss), cloud (OpenShift, OpenStack), and containers (Kubernetes) based on open source code, and delivered together with partners that take an agnostic approach toward IT.

The relatively young partnership between Red Hat and Devoteam should not be under-estimated. In less than 12 months, the duo launched joint go-to-market programs in nine geographies and certified more than 50 cloud and middleware engineers. More importantly, the immediate success of the partnership has given Red Hat the confidence to consider Devoteam strategically important as a partner across the EMEA region. In turn, Devoteam has committed to triple the number of certified Red Hat engineers working for the company.

To Red Hat, Devoteam contributes to the overall solution (IP technical, vertical, and services expertise). The model allows Red Hat and Devoteam to approach strategic customers together and align on how they can best address their challenges.

Celebrating Success: Customer Transformations

Due to the bespoke nature of digital, all Devoteam customers receive bespoke solutions. Every journey is different and every transformation support program is tailored to the requirements of the organization.

Through collaboration, Red Hat and Devoteam can offer unique solutions utilizing critical technology areas in cloud infrastructure, middleware, and developer platforms. In particular, Red Hat's OpenStack and OpenShift offerings have enabled Devoteam to transform not only the enterprise IT environment (enabling the launch of scalable hybrid cloud environments), but also transform the IT culture by introducing a new mindset and the DevOps working practices that are common in open source communities.

Devoteam and Red Hat are forming long-lasting relationships with their customers across all industries, and are already seeing strong momentum in financial services, manufacturing, utilities, and telecommunications. Together Red Hat and Devoteam are striving the help their customers win their digital battles, whether it is inside or outside the organization.

"At Devoteam, being a digital 'transformaker' is all about winning the digital battles together with our customers and partners."
Sebastien Chevrel, COO, Devoteam

The Road to Success: Recommendations

Organizations that have embarked on a digital transformation journey will see that all roads lead to Rome. However, the speed at which an organization transforms depends greatly on the decisions it makes today. IDC therefore recommends that CIOs consider the following recommendations as they transform their IT organizations.

Cloud First; Not Cloud Only

Develop a cloud adoption strategy that provides a clear structure around workload priorities to sort through which workloads should move to the cloud and which should remain on-premise, at least for the near term. Consider prioritizing workloads by "strategic workloads" (key digital initiatives that will drive competitive advantage), "easy workloads" (those that efficiently exploit the inherent value proposition of the cloud), and "other legacy workloads" (often too technically complex and costly to move to the cloud). If you find that there are many legacy workloads that should not be shifted to a public cloud environment, explore how hybrid cloud solutions can offer the best of both worlds.

Transform the IT Culture

Try to create an IT department culture that has a sense of urgency and embrace DevOps (and open source) as part of this. Explore emerging technologies to generate a sense of excitement about IT's role in digital business and innovation. Empower employees to make decisions (with appropriate guidance) and act. Create a "learning organization" where lessons learned from previous projects (good or bad) are absorbed. A significant part of successfully shifting to DevOps is educating and influencing staffers, managers, and senior management across the enterprise about its potential benefits, then publicizing successes. But in the quest for change, don't neglect security, reliability, scalability, and regulatory compliance.

Find the Right Transformation Partners

In the era of digital transformation, it is important to select transformation partners that have a strong ability to deliver value to both business and IT. Those that are experienced and knowledgeable when it comes to modernizing IT and transitioning to public cloud offerings will help enable the organization to accelerate its operations. Pay special attention to how certain capabilities can be transferred to the organization and how it imagines translating business objectives into IT priorities. In particular, search for transformation partners that introduce new technologies and approaches that transform the business inside and out. Finally, if possible, always talk to reference clients to understand how the company operates.

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