

The pace of digital transformation to become a Future Enterprise is increasing, driven by the impacts of the current COVID-19 pandemic. In this new world, organisations must first increase their business resiliency then shift into the transformational and disruptive maturity categories to compete in the new normal.

Becoming a Future Enterprise to Compete in the Digital Economy

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AT A GLANCE

KEY STATS

1. More than half of New Zealand organisations say they are still facing challenges from the COVID-19 pandemic.
2. Around two thirds of New Zealand organisations have yet to reach a transformational or disruptive level of digital maturity.
3. Before COVID-19, although the majority of New Zealand businesses had begun exploring or implementing hybrid cloud management, only 19% had deployed this model enterprisewide.

KEY TAKEAWAYS

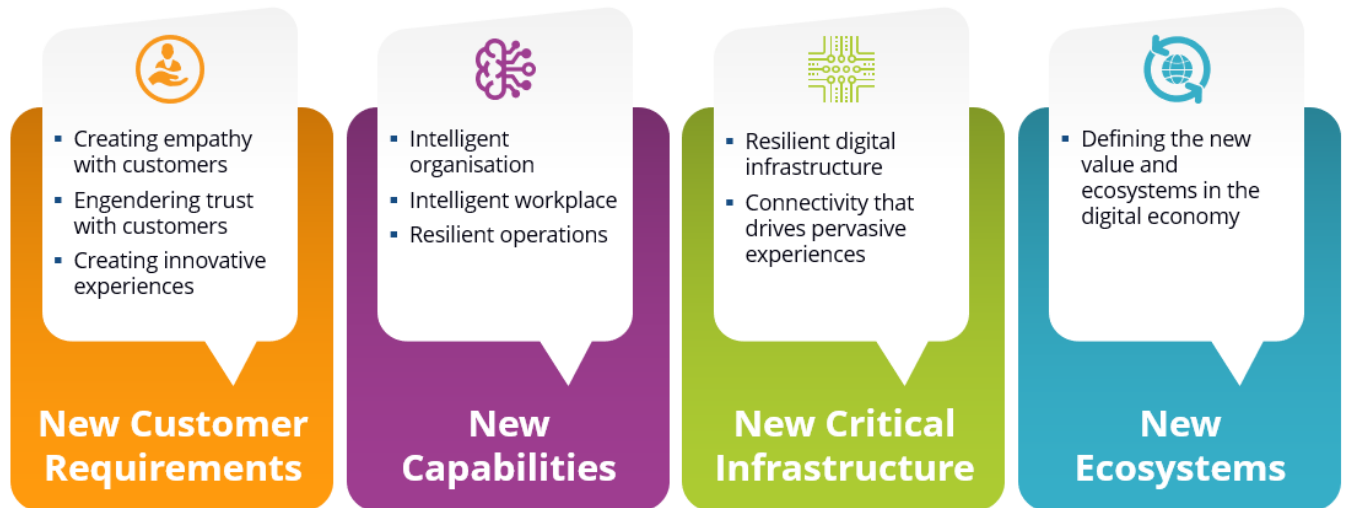
1. The COVID-19 pandemic is accelerating New Zealand organisations' digital transformation plans.
2. Taking steps to improve resiliency is the first move. Next, companies must level up their digital focus to effectively participate in the digital economy.
3. A hybrid cloud model is a key enabler for transformation and is becoming the de facto gold standard for IT architecture.
4. The degree of an organisation's elasticity and adaptability will dictate its chances of survival.

The Future Enterprise

IDC's vision of the Future Enterprise is an organisation that underpins business processes with technology. It is fuelled by innovation, platform-enabled, and ecosystem-centric.

Organisations must prepare for the digital era and confront wider threats, such as global health, climate, social, and economic challenges. The COVID-19 pandemic has accelerated the pace of transformation. Companies now have an appetite to accomplish in weeks or months what previously took a longer time. Before the COVID-19 pandemic, organisations were transforming, albeit slowly. CEOs running increasingly digital organisations started to develop a new agenda. In late 2019, IDC outlined this new agenda for running the Future Enterprise in a digital economy. It centres around new customer requirements, new capabilities, new infrastructure, and new digital ecosystems.

Figure 1: The New Agenda for the Future Enterprise



Source: IDC, 2019

- **Customers.** There are new customer requirements to meet as millennials enter their peak earning years. These include creating empathy with customers at scale, pivoting operations toward market-driven objectives, and engendering customer trust.
- **Capabilities.** Organisations will need new capabilities to succeed. They must become an intelligent (AI-driven) organisation, create software to deliver innovative services and personalised experience at scale, and implement new work models.
- **Critical infrastructure.** CEOs must shift their view of critical infrastructure as digital IT infrastructure and connectivity replace physical plants. This will ensure reliable digital services and create the pervasive experiences customers expect.
- **Industry ecosystems.** The biggest challenge is what becomes of companies' industries as new ecosystems develop and power shifts among players. To succeed, CEOs must define the new value in the digital economy, their new partners, and the role they will play in these ecosystems.

COVID-19: A Slight Detour to Resiliency

The pandemic has underscored the importance of digital transformation (DX) in the eyes of CEOs and C-suite executives. They are at a decision point — should they follow the same course of cost cutting as during previous recessions or flatten their respective organisations' recessionary curve by leveraging technology? They must make complex decisions and strike a delicate balance between cutting costs and making technology investments that will improve workflows, enhance infrastructure to be more adaptive to fluctuating demands, and ensure that their workforce is appropriately skilled.

IDC has developed a five-stage framework describing business focus areas over the evolution of the COVID-19 pandemic. The framework in Figure 2 shows New Zealand organisations' progress as of September 2020.

Figure 2: New Zealand Enterprise Five Stages to Recovery



Source: IDC, 2020

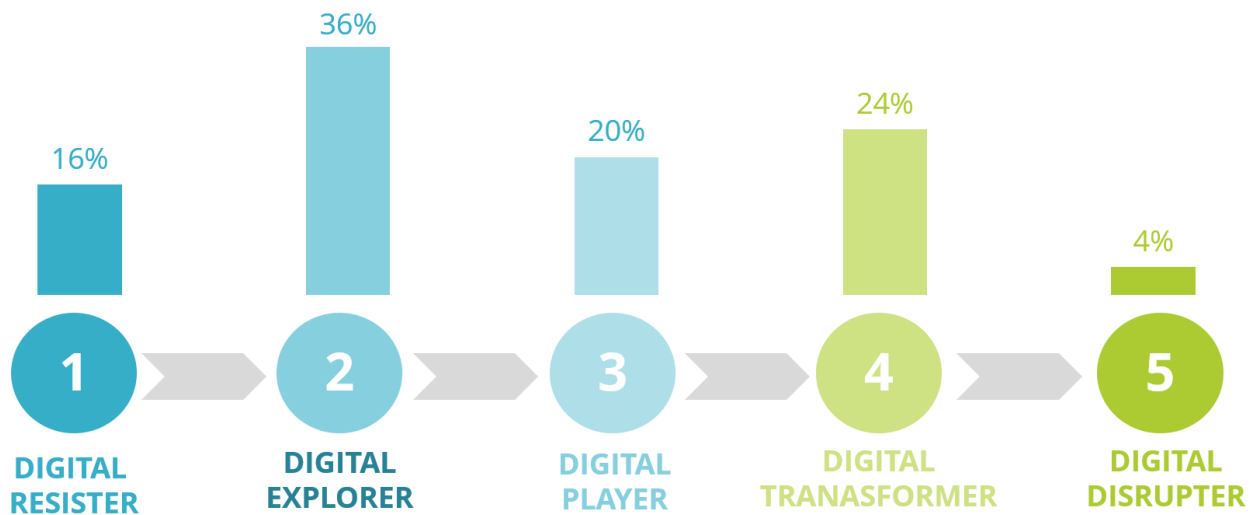
Around half the number of organisations is returning to growth or on an accelerated journey to the Future Enterprise. This Future Enterprise is the state required to effectively participate in the digital economy. However, before they can reach Future Enterprise status, many will be taking a slight detour because of the economic recession. Organisations are currently focused on cutting costs and figuring out how to be resilient in an uncertain future.

Accelerating DX for the New Normal

IDC's DX Future Enterprise MaturityScape helps business and IT leaders understand the challenges and opportunities that DX can bring. Half of the number of New Zealand organisations says that before the COVID-19 pandemic, their DX efforts were ad hoc (digital resister) or opportunistic (digital explorer). Most of the other half say their DX efforts had become repeatable or managed. Just 4% said their DX efforts were optimised (digital disruptor).

Figure 3: New Zealand Enterprise Digital Maturity

Q. Before the COVID-19 pandemic, how would you assess where your organisation was with respect to its DX?



Source: IDC COVID-19 Impact on New Zealand ICT Spending Intent and Prioritisation Survey, September 2020

COVID-19 is accelerating DX including future enterprise transformation. Now, organisations must shift into the transformational and disruptive maturity categories to compete in the new normal. This accelerating transformation includes:

- Increased adoption of artificial intelligence (AI), augmented/virtual reality (AR/VR), robotics, and intelligent process automation (IPA) to drive innovation, work improvement, safety, and business results
- Development of smart workspaces that facilitate a safe return to office, secure collaboration, and process automation.
- Focusing on the reskilling and upskilling of employees and leaders to build more agile and resilient organisations

New Zealand enterprises are shifting their IT spending priorities in response to the challenges brought by the COVID-19 pandemic. IDC research shows New Zealand companies intend to increase spend the most on big data, security, software development tools, AI, and private cloud.

Hybrid Cloud Is a Key Enabler

The global pandemic accelerated the evolution of the digital economy as enterprises have been forced to reimagine their business models more drastically than before. The hybrid cloud model is a key enabler and is becoming the de facto gold standard for IT architecture.

Hybrid cloud is the integration of all types of cloud (e.g., private cloud and public cloud) and sometimes noncloud infrastructure in the datacentre. It offers cost efficiency, access to cutting-edge technologies, better risk management, optimal placement of workloads, and freedom from data gravity.

Prior to the COVID-19 pandemic, although the majority of New Zealand businesses had begun exploring or implementing hybrid cloud management, only 19% had deployed this model enterprisewide.

New Zealand organisations are changing their cloud strategy in response to the pandemic. IDC's research shows New Zealand companies are focusing on reevaluating their cloud strategy and deployment to find savings while adding value to core business operations through cloud-based data applications.

Businesses must accelerate hybrid cloud migration. Organisations that are further ahead of the journey to recovery are already flattening the recovery curve. Businesses will harness cloud as both an accelerator for the organisation's recovery and a foundational block to build upon the next normal and move beyond crisis management to transformation.

Executives must understand that hybrid cloud is a journey, not a destination. The key is to continuously advance with small but deliberate steps.

Considering IBM

Global IT company IBM owns public cloud datacentres across Asia/Pacific, with the ability to support most countries in the region. The company has a strong background and an expertise in application modernisation and management. Its workforce organisation is mature — consultants, client partnership executives, architects, business development executives, solutioning teams, and sales teams — to understand and define business requirements in every engagement. IBM's long-standing customer relationships and breadth of services enable it to deliver professional services relating to cloud adoption or migration. This allows IBM to shape conversations and customer cloud journeys. IBM has partnerships with all major cloud providers, including Amazon Web Services (AWS), Azure, Google Cloud, VMware, and Alibaba Cloud.

IBM's Cognitive Enterprise Framework

Organisations are facing an unprecedented convergence of technological, social, and regulatory forces. As AI, blockchain, automation, Internet of Things (IoT), 5G, and edge computing become pervasive, their combined impact will reshape standard business architectures. The outside-in DX of the past decade is giving way to the inside-out potential of data exploited with these exponential technologies. IBM calls this next-generation business model the "Cognitive Enterprise."

The journey to become a Cognitive Enterprise starts with extracting the full value of data. Organisations use the extracted insights to create smarter workflows. Success also requires deep, trusted customer relationships and enriched employee skills. IBM says the hybrid cloud platform is the cognitive enterprise enabler of an organisation's DX.

To help enterprise decision makers know how and where to start on this transformation, IBM describes three key components:

- **Market-making business platforms.** These focused, critical, and impactful platforms reinforce competitive positioning within an industry, shape a new role in an industry context, or open up cross-industry market opportunities.
- **Intelligent workflows.** These processes define the customer experience and economic outcomes at the heart of the new business platforms as well as differentiate the company or industry.

- **Enterprise experience and humanity.** Extending customer experience to the employees, the enterprise itself, and the entire ecosystem to provide an environment of value and purpose using human-centred design.

IBM Garage Blends the Power of Big Business with the Agility of Start-Ups

IBM provides a wide range of assistance to help organisations get the most from its initiatives, including services, education, and training. IBM Garage is a services-led approach that enables enterprises to accelerate, break through, and work more similar to start-ups. IBM Garage blends business strategy, design, and technology into a single end-to-end engagement. It provides access to experts in design, architecture, development, data science, and security and taps into IBM's latest hybrid multicloud and AI technologies.

Opportunities and Challenges for IBM

One of IBM's strongest opportunities is its open hybrid cloud offerings. IBM Red Hat OpenShift allows businesses to develop and consume cloud services anywhere and from any cloud. Cloud services and solutions are key strategic investments during the pandemic. IBM's capabilities in the hybrid cloud space give organisations enterprise-grade security, compliance and governance, simple and rapid portability to date, applications, and consistent cloud management and automation, all across multiple cloud environments. IBM sees that the full capability of cloud has yet to be leveraged. Specialist industry offerings, such as IBM Cloud for Financial Services and IBM Cloud for Telecommunications, mean IBM is well positioned to capture considerable vertical opportunities, particularly in highly regulated industries.

The dominance of cloud hyperscalers across the Asia/Pacific region remains a challenge for IBM. The company must overcome the preexisting grip on the market that global hyperscale cloud providers enjoy. Although cloud hyperscalers dominate the public cloud market, IBM is strategically placed to be a leader in the hybrid cloud market. Locally, IBM's challenge is to outcompete the flexible pricing as well as regional knowledge and experience of New Zealand-based competitors. IBM must ensure key staff are in place and nurture local ecosystem relationships to achieve and sustain market leadership.

As a cloud, security, and services leader in Asia/Pacific, IBM is positioned for growth opportunities in New Zealand. Its strategy centres on helping clients "rebound, reboot, and reinvent" to weather the COVID-19 pandemic by supporting and enabling transformation. This strategy sees IBM elevate its ecosystem of partners and customers to increase their Future Enterprise capabilities.

Conclusion

The world of work and the future of the enterprise are at a turning point, and there is no return. The current crisis is forcing companies to run their businesses in a radically different way. Pressure has never been more intense across the workforce, no matter the role and seniority. The degree of an organisation's elasticity and adaptability — across business processes, technology, and workforce — will dictate its chances of survival.

The global pandemic means businesses are accelerating DX. Companies must be nimble and agile enough to create novel business models, innovate new digital services, and turn adversity into opportunity. Hybrid multicloud is central to this transformation as it provides an infrastructure-agnostic view and unified management capability across all types of cloud and even legacy datacentres. Having a cloud infrastructure that can scale, is flexible, and avoids vendor lock-in will be key to business agility. Organisations should make plays for the next normal. Customers are looking for brands that can satisfy their current requirements, tide them over the crisis, and bridge the gap between now and the next

normal. The gaps you address, the changes you make, and the opportunities you identify must consider the longer-term play of the organisation toward the Future Enterprise. Business resilience is about building the potential to respond to future challenges, whatever the threat vector. Companies need to own the critical areas of strategy, planning, goals, and results and partner elsewhere for success.

MESSAGE FROM SPONSOR

Revolutionising How Wine Drinkers Find the Perfect Drop

Fine Wine Delivery based in New Zealand is using IBM Watson to help people find the right wines that will suit their taste and occasion using natural language and enrichment. The system thrives on complexity and categorisation. In effect the more complicated the information they input into the AI system, the closer the system will get to recommending the best wine for that moment. In fact, the company has been able to ingest more than 20 years of tasting notes into the Watson system to get real insights and better serve their customers. AI-driven tools help make selecting wines more enjoyable and reliable, including a chatbot called "Smart Search," an AI-driven tool called "Flavour Wheel," and a new tool called "Jeff's Avatar." As a result, although many retailers are struggling, Fine Wine Delivery has seen a 70% increase in online purchases in an already significant online business.

Lygon — From Paper to Blockchain

Backed by a consortium, including the Australia and New Zealand Banking Group (ANZ Bank), Commonwealth Bank of Australia, IBM, Scentre Group, and Westpac, Lygon is a new digital platform that uses blockchain technology to transform how businesses obtain and manage bank guarantees. Digitising this process reduces the risk of fraud, decreases the potential for errors, and significantly reduces the time it takes to issue a bank guarantee. The platform features a digital workflow, standardised terms, and the security to resist fraud. The speed is exceptional; in the Lygon pilot using real customer data, what used to take up to a month takes less than a day to process, which translates to a 90–95% faster turnaround time for bank guarantees.

About the Analysts



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Monica's research areas include telecommunications, 5G, artificial intelligence, and the Internet of Things (IoT). She also specialises in customer experience (CX), holding an NPS practitioner certification and a Six Sigma Green Belt. Prior to joining IDC, Monica held analyst, designer, and management roles at companies, including Vodafone New Zealand and Fonterra.



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