How Digital Transformation Is Changing Business in CEE

Sponsored by: New Frontier Group
John Gole Rainer Kaltenbrunner
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IDC OPINION

In the past few years, continued advances in information and communications technology (ICT) are facilitating dramatic changes, such as the development of ubiquitous mobile broadband, tremendously powerful smartphones, and the deployment of billions of autonomous devices and sensors. Cumulatively, these advances are also helping to drive the emergence of several other powerful new technology fields, such as cloud computing, big data, mobility, social business, and the Internet of Things (IoT), which IDC considers to be the pillars of the new "3rd Platform" of ICT innovation.

Such developments have been many years in the making, but they are now becoming sufficiently widespread and mature for enterprises to take action. And, as companies deploy such technologies, they are not just updating their ICT systems but are, most importantly, using them to drive innovation across their business models and operational processes, products, and strategies. As such, 3rd-Platform technologies are enabling the digital transformation of enterprises.

Our research in Central and Eastern Europe (CEE) reveals that many enterprises recognize the opportunities and threats presented by this development, and most have started to pursue their own digital transformation strategies. But what is the right approach? Because the 3rd Platform transforms business and not just IT systems, digital transformation strategies must take into account business strategies and inputs from business executives and line-of-business (LoB) managers.

Digital transformation will be a long-term process. Companies will evolve following different paths and timeframes. It is not usually necessary, nor realistic or advisable, to abruptly replace existing systems at once. Instead, companies should begin the long-range planning of their transformations, identifying where they can incrementally upgrade or replace the existing business strategies in a phased approach that aligns business strategy with ICT initiatives and budgeting in the given company’s unique digital transformation roadmap.

IN THIS WHITE PAPER

This IDC White Paper explores the idea of digital transformation among enterprises in Central and Eastern Europe. By digital transformation, we are referring to the extent to which companies are adopting the new wave of information and communications technologies, such as cloud-based services, mobility, big data/analytics, and social business, to transform their businesses, gain competitive advantages, increase efficiency, generate new opportunities and new markets, support business growth, develop new products and services, and drive new profits (improve the bottom
line). We also ask, given the complexity of these changes, whether enterprises are looking for external support in achieving their digital transformations and what criteria they are using to select partners.

To determine the answers, IDC conducted interviews with a wide variety of large enterprises across multiple countries and verticals in the region. Based on these interviews, this white paper discusses the general perception of digital transformation among CEE organizations, the impact it has on their businesses, the benefits and threats it creates, the degree of implementation(s) carried out thus far, and the way that companies are preparing for the transformation of both their overall business strategies and the underlying ICT systems.

**METHODOLOGY**

The research for this white paper included in-depth interviews conducted in May and June 2014 with 61 companies in the Czech Republic, Romania, Russia, and Serbia. The survey focused on large enterprises, with 70% of the surveyed companies reporting more than 1,000 employees and 30% of them reporting more than 5,000 employees.

The interviewed companies were distributed across several key vertical markets. The largest proportion represented the finance sector (43%), followed by retail and wholesale (25%), telecommunications (16%), and utilities (15%). IDC only interviewed senior executives and managers with strategic responsibilities within the company: 61% of the sample consists of CIOs and IT directors, an additional 20% of other strategic IT managers, and 10% of business directors. The rest of the sample comprised job functions such as IT architect, telecom manager, and LoB manager.

**DIGITAL TRANSFORMATION BEGINS**

Over the past few years, the ICT landscape has been undergoing a rapid transformation. Previously, IT was based on a client-server architecture and office-based PCs, which enabled enterprises to gain dramatic improvements in operational efficiency. More recently, the ever-improving underlying technologies — such as processing power, storage capacities, battery technologies, and network capabilities — have enabled a step-change in the architecture of the entire ICT ecosystem. Mobile computing devices — particularly smartphones and tablets, as well as autonomous machines and wearables — have proliferated, vastly outnumbering PCs. Mobile networks, fixed-line broadband, and WiFi are now fast and ubiquitous enough to enable LAN-like connectivity in any location. And these advances enable devices to access cloud-based applications and services, stimulating a shift of software and infrastructure to the cloud. Furthermore, the mobility of devices, their proliferation, and their continuous connectivity are enabling employers, workers, and customers to communicate in new ways using social media and collaboration tools while also generating enormous new sets of data, which enable companies to generate new insights.

For the past five years, IDC has predicted and chronicled the IT industry’s massive and disruptive shift beyond the client-server era to one based on these new technologies. IDC calls this new era the “3rd Platform” for innovation and growth, and it is built on the four technology pillars of cloud, mobile, big data, and social business (see Figure 1).
The 3rd Platform is fundamentally a business platform. It refers to the emerging set of business tools focused on mobile computing, cloud services, big data and analytics, and social networking — and the creative and innovative ways that businesses are using them. These tools are driving companies’ overall business value by enhancing technology capacities.

Previously, companies may have invested in "cloud" or "mobile" initiatives as supplemental to their core technology strategies. For example, they may have added mobile remote access to what remained essentially PC-based applications. Or they may have shifted a specific application to the cloud, though still intended for PC-based access. Such initiative might make an existing business process more efficient.

However, these standalone initiatives are no longer the best solution. Mobile devices are becoming the predominant means of network access for many employees, or multiple devices may have equal priority. Mobile applications increasingly need to connect to critical back-end systems and to each other. Mobility is also changing behavior and generating new ways of working. Employees need new tools to communicate with colleagues, regardless of location or device. It is becoming clear that the period of incremental changes in recent years is ending, and more comprehensive change is taking place.

Companies increasingly need to integrate those previously stand-alone initiatives. How does a planned mobile application affect our enterprise infrastructure and cloud services policies? How do...
changing employee activities affect our device policies? And how does the proliferation of device types and operating systems affect our application roadmaps? These questions can no longer be answered independently. They are cumulatively driving a fundamental transformation of enterprise ICT and wider business operations, and enterprises increasingly need to take a holistic view of this digital transformation.

As the nature of IT investments is changing, so is decision making. When IT investments were expected to provide IT agility to the company, the IT department was making the decisions. However, as IT investments are increasingly expected to deliver business agility – and drive business innovation – other decision-makers are getting involved. A recent survey of functional executives in the U.S. indicated that 61% of technology projects are now funded by business-unit budgets (see Figure 2).

The 3rd Platform, where cloud, social business, mobile, and big data/analytics come together, has the potential to create the underpinning of business process transformation and business model transformation. As businesses operate on the 3rd Platform, they will be able to transform how they engage with customers, the speed at which they deliver products and services, how they innovate, the reliability of their operations, and their resilience to market changes. The power of connectedness and intelligence brought about by the 3rd Platform not only provides excellent business opportunities for growth but also highlights the need for change. Managing these implications through business transformation will be critical for many organizations as they find new market relevance and competitive capabilities.
The impact of ICT decisions is thus broadening across the business, and the decision making is incorporating a wider range of business executives. Digital transformation requires executives to take a broader view of how technology drives and reshapes the business going forward. And that requires IT executives to be a part of business planning, while other executives need to take an active role in planning and supporting the digital transformation.

DIGITAL TRANSFORMATION IN CEE

In IDC’s global research, we can clearly see this digital transformation to the 3rd Platform underway, as 3rd Platform technologies already account for much of the current and future growth in the worldwide ICT industry. IDC forecasts sales of 3rd Platform technologies in 2014 to grow by 15%, while sales of 2nd Platform technologies are stagnant. In this study, we investigated how digital transformation is progressing specifically in Central and Eastern Europe. How do enterprises in CEE perceive this digital transformation, and how are they responding?

CEE Enterprises Optimistic About 3rd Platform Gains

Digital transformation could be perceived as both a threat and an opportunity. While one company can use it to gain advantages or launch a new business model, another may be left behind. In our interviews in CEE, the general perception of the 3rd Platform and the digital transformation is rather positive: Nearly two-thirds of the interviewees considered it exclusively to be an opportunity, and
nearly all of the others saw it as both an opportunity and a threat. Less than 2% consider this development to be solely a threat.

**FIGURE 3**

Perceptions of Digital Transformation

*Q. Generally speaking, do you consider the digital transformation more of an opportunity or a threat?*

This optimistic view does not vary greatly from country to country, with just one exception: A few Russian companies (6%) considered the digital transformation solely a threat. When analyzing responses by vertical, the telecommunications sector stands out as especially optimistic, with 90% of telecom companies seeing only opportunities in the digital transformation, as it allows them to enter new lines of business and sell new services.

**Benefits of Digital Transformation**

The reasons for the highly positive views on digital transformation were abundant and varied, but some benefits were mentioned quite frequently. For example, many respondents focused on the ability to reach more customers, often through new mobile applications that attract new customers through new channels. Many financial services companies have achieved success with mobile apps, enabling, for example, mobile banking and the reporting of insurance incidents. Many respondents also highlighted the improved ability to communicate with clients beyond transactions. For example, they mentioned using social media to collect feedback from customers, to communicate with them, and to direct targeted marketing campaigns.

Better communication with customers was also noted to have wider benefits. A few respondents cited the improved understanding of customer needs gained through online channels and social
media. Such insights can help to accelerate product development, speed time to market, and enable companies to grow their customer bases.

Many respondents also emphasized improvements to operations — for example, the possibilities to increase efficiency and cut costs. In some cases, such improvements can be achieved through improved collaboration among employees or better information sharing between branches. More specifically, a few respondents cited improvements such as the automation of business processes (e.g., meter reading for utilities) and reduced communications costs.

From these interviews, we can see that enterprises in CEE see benefits throughout the organization — benefits that can have positive effects on both top and bottom lines.

**Threats Posed by Digital Transformation**

Those respondents who viewed digital transformation as a threat also cited a variety of reasons. One very common concern related to security. As companies transform their business models, their organizations, and their ICT, security lapses can occur in numerous ways, and thus companies must be careful to protect their data.

Other than security, the most common concerns related to competition. For example, several companies cited price competition, especially telcos, which are experiencing rapid price declines in their core/traditional services as they deploy next-generation mobile networks.

The sources of these new competitive pressures that respondents cited include international players entering the market, companies from other industries moving into new adjacent areas, and startups entering with disruptive new business models. Online retailers were mentioned as an example of the latter category.

For enterprises in CEE, all of these possibilities were relevant. Global players generated slightly more concern on average but still were not seen as a serious threat. Companies from other verticals that can use their communication channels and customer bases to expand into new business areas were seen as slightly less significant threats, as were disruptive startups that use new digital business models to grab market share. From a vertical market perspective, organizations in the retail and wholesale sectors in particular saw significant competitive dangers from digital transformation trends.
While a significant share of surveyed enterprises foresee threats in digital transformation, few of them consider those threats to be severe. Clearly, CEE enterprises are more focused on the business opportunities arising from the 3rd Platform.

Digital Transformation Strategies

To take advantage of the opportunities and mitigate the threats presented by the 3rd Platform, enterprises need to develop a digital transformation strategy. In our research, the majority of companies claimed to have such a strategy, though a large minority (43%) still does not.

In most companies, the CIO and IT director are still responsible for digital transformation, and this might be a reason for a lack of business and IT strategies. In companies in which the CEO, the CMO, or the board is involved, or in instances in which an “innovation officer” is on staff, we found a dedicated strategy for 3rd Platform technologies (relating to business and IT) to be more common.

However, IDC research indicates that most CIOs hope to see their roles evolve into that of chief innovation officer within the next five years, and we are confident that CIOs can make that journey and thus help their companies become more competitive by way of the digital transformation. This will be a necessary development, as innovation in general is a hot topic, especially for enterprises deploying new business-changing technologies such as those of the 3rd Platform. Nevertheless, the challenge companies are facing is that innovation by itself has no overarching meaning. Every enterprise has its own definition, based on its industry, its leadership, its culture, and the way it uses IT. Many executives mistakenly think that innovation is simply or primarily about supporting ideation – the creation of new ideas. The actual process of innovation and the main challenge for a chief innovation officer are really about identifying ideas that have market value to the enterprise and moving them into the pipeline to become new products and services.
FIGURE 4

Strategy for Digital Transformation

Q. Does your company have a strategy for digital transformation?

Source: IDC, 2014

It is worth noting that, even among companies that claimed to have a digital transformation strategy in place, this is not a dedicated stand-alone strategy in 9 out of 10 cases; it is just a part of a broader strategy (as revealed below, in Figure 4).

In the telecommunications sector, for example, in which 75% of surveyed companies reported an existing digital transformation strategy, only 14% of these same telcos responded positively when a stand-alone strategy for new technologies was specifically addressed.
Progress in Digital Transformation

Having a strategy is a critical step, but implementation brings many more challenges and takes longer to achieve. In order to create a clearer picture of the implementation process, New Frontier Group defined four levels of digital transformation. IDC used this classification system and asked companies which level best described their current status. The four levels were described as follows:

- **Level 1 – Simple Web Presence**: The company has a website on which it features static information about itself and its products and services. This level affords no real communication or collaboration with customers/end users. The benefit of such an online presence is limited and depends on the uniqueness and value of products and services. For most companies, this is an absolute must, but it represents the minimum in terms of leveraging the digital channel for growth and new business opportunities.

- **Level 2 – Sharing Internal Information**: The website has an interface to one or more internal applications. Examples are Internet banking sites and shipment tracking systems. It offers a significant benefit for both the customer and the business, with a real reduction in operating costs. The potential for additional growth and creating added value are limited if this channel is not used for direct communication and collaboration with the customer.

- **Level 3 – Customer Collaboration**: This means real two-way communication and collaboration to improve the user experience. The goal is to assure an optimal user experience across all channels, on any device, and from anywhere. Omni-channel communication combines in-store communication with online communication by using partner channels and online collaboration with customers. End users are engaged: They...
collaborate, participate, and share. Communication is personal and relevant for customers, as analytics ensure that what customers value and their interests are taken into account.

- **Level 4 – Smart Sharing; the Internet of Things:** This means obtaining user permission to collect data about their behavior and activities in a variety of applications via social networks, mobile devices, or additional sensors and devices. The promise for the user lies in a high-value, personalized service and information based on the analyses of collected data. The benefits for the company are an increase in profit, as value for the customer is raised, along with the assurance that the right products and services are offered to the right customers at the right time.

The survey findings show that the vast majority of enterprises are currently in the middle levels of development (levels 2 and 3), with a few others scattered at the ends of the spectrum (levels 1 and 4). This distribution indicates that most enterprises are taking some active steps to implement 3rd Platform technologies, but very few have reached an advanced stage. Clearly, digital transformation is a work in progress – as it should be. Transformation will continue for many years, but companies need to take action before their competitors if they want the benefits of the 3rd Platform to provide a competitive advantage (see Figure 5).

**FIGURE 6**

**Level of Digital Transformation**

*Q. Which of the following would you say best describes your organization’s level of digital transformation?*

- **Level 1:** Simple web presence (11.7%)
- **Level 2:** Sharing internal information (35.0%)
- **Level 3:** Customer collaboration (41.7%)
- **Level 4:** Smart sharing – collecting data via social networks, mobile devices, and/or additional sensors and devices (11.7%)

Differentiated results by vertical (Table 2, below) clearly show that the telecommunications sector has the highest rate of digital adoption: 80% of the surveyed companies from this sector are on level 3 or even 4. This is to be expected, as this industry is known for rapid transformation and the early adoption of new technologies.
Results are also available by country, showing that Russia has the highest share of companies rating themselves at level 3 or above. At the other end of the list, most Serbian companies were self-rated level 2 or even level 1.

### TABLE 2

**Level of Digital Transformation by Vertical Market**

*Q. Which of the following would you say best describes your organization’s level of digital transformation?*

<table>
<thead>
<tr>
<th></th>
<th>Finance</th>
<th>Telecom</th>
<th>Utilities</th>
<th>Retail/Wholesale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>11.5%</td>
<td>0.0%</td>
<td>11.1%</td>
<td>21.4%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Level 2</td>
<td>38.5%</td>
<td>20.0%</td>
<td>33.3%</td>
<td>42.9%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Level 3</td>
<td>46.2%</td>
<td>40.0%</td>
<td>55.6%</td>
<td>21.4%</td>
<td>41.7%</td>
</tr>
<tr>
<td>Level 4</td>
<td>3.9%</td>
<td>40.0%</td>
<td>0.0%</td>
<td>14.3%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: IDC, 2014

**Peer Comparison**

IDC also investigated how companies rate themselves against their international peers in order to ascertain in which countries and in which vertical markets the competitive pressures and the tendency to lose market share due to lack of digital adoption are the highest. The question was, "Do you feel your company/IT organization is currently below or above the average for your peers with respect to digital transformation initiatives?" The results show that all of the respondents in the total sample consider their organization to be at the same level as their peers in the area of big data/analytics and the use of mobile applications and mobile devices. When it comes to social business and cloud, they ranked themselves somewhat behind their peers. In general, companies from the Czech Republic and Russia consider themselves to be far more competitive than those from Romania and Serbia.
### TABLE 3
Comparison with Peers by Country

<table>
<thead>
<tr>
<th></th>
<th>CZ</th>
<th>RO</th>
<th>RU</th>
<th>SRB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media/Business</td>
<td>2.6</td>
<td>1.9</td>
<td>1.6</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Big Data/Analytics</td>
<td>1.8</td>
<td>1.9</td>
<td>2.3</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Mobile Apps</td>
<td>2.1</td>
<td>2.0</td>
<td>2.1</td>
<td>1.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Mobile Devices</td>
<td>2.1</td>
<td>1.9</td>
<td>2.0</td>
<td>1.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Cloud</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>2.2</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Note: Based on a scale on which 1 = below average, 2 = average, and 3 = above average

Source: IDC, 2014

A detailed look at the vertical markets again reveals that companies from the telecommunications verticals are ahead with regard to the usage of 3rd Platform devices. Especially within the conservative finance sector, respondents more often perceive their digital transformation initiatives as lagging behind their peers.

### TABLE 4
Comparison with Peers by Vertical

<table>
<thead>
<tr>
<th></th>
<th>Finance</th>
<th>Telecom</th>
<th>Utilities</th>
<th>Retail/Wholesale</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media/Business</td>
<td>1.9</td>
<td>2.0</td>
<td>1.9</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Big Data/Analytics</td>
<td>1.9</td>
<td>2.3</td>
<td>1.8</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Mobile Apps</td>
<td>1.8</td>
<td>2.2</td>
<td>1.9</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Mobile Devices</td>
<td>1.8</td>
<td>2.2</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Cloud</td>
<td>2.0</td>
<td>1.8</td>
<td>2.0</td>
<td>1.8</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Note: Based on a scale on which 1 = below average, 2 = average, and 3 = above average

Source: IDC, 2014
EXTERNAL SUPPORT

Many enterprises in the CEE region have entrusted either part of their business to the 3rd Platform or are at least working on digital initiatives. As they take these steps, they must consider whether they have the skills to handle the initiatives internally, whether they can or should develop those skills, and/or whether they should work with external partners.

Enlisting External Assistance

When it comes to the implementation of new business strategies based on digital technologies, nearly all surveyed companies seek at least some external help – only 11.5% of respondents rely entirely on internal resources. The majority of those that seek external support tend to rely on/feel most confident with existing business and IT partners (see Figure 7, below). Given that the most important benefits of digital transformation extend beyond IT to include business operations and planning, it is not surprising that many enterprises seek the expertise of external consulting and advisory houses.

FIGURE 7

External Partner for Digital Transformation

Q. Which of the following would you choose as an external partner to help your organization with the challenges of the digital transformation?

- Existing IT and business partners: 49.2%
- External consulting and advisory houses: 37.7%
- Internal resources – no partner: 11.5%
- Others: 8.2%

Source: IDC, 2014

Decisive Factors for Selecting an External Partner

A transformation that will affect an organization’s entire business processes is naturally a challenge, and choosing the right partner for assistance is thus critical. As shown in Figure 8, below, most companies give the greatest weight to the technical skills of an external partner’s staff. Other key
criteria relate to service quality, customer experience, cost effectiveness, and industry expertise and experience. The distribution of selection criteria was consistent across countries and verticals.

FIGURE 8

**Decisive Criteria for Choosing an External Partner**

*Q. Which of the following criteria are most important when choosing an external partner to help with your company’s digital transformation?*

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical skills of professional staff</td>
<td>4.3</td>
</tr>
<tr>
<td>Service quality/High-level customer experience</td>
<td>4.2</td>
</tr>
<tr>
<td>Provides cost-effective services</td>
<td>4.1</td>
</tr>
<tr>
<td>Depth of industry expertise and experience</td>
<td>4.1</td>
</tr>
<tr>
<td>Business skills of professional staff</td>
<td>3.9</td>
</tr>
<tr>
<td>Client references</td>
<td>3.9</td>
</tr>
<tr>
<td>Brings innovation to our business</td>
<td>3.9</td>
</tr>
<tr>
<td>Promises and delivers quick ROI</td>
<td>3.9</td>
</tr>
<tr>
<td>Financial stability/Secure future</td>
<td>3.8</td>
</tr>
<tr>
<td>Existing relationship with our organization</td>
<td>3.6</td>
</tr>
<tr>
<td>Expertise in CEE</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Note: Based on a scale of 1 to 5 on which 1 = not at all important and 5 = very important

Source: IDC, 2014

**Choosing New Frontier Group as an External Partner for Digital Transformation — Approach and Methodology**

New Frontier Group, as an important adviser in the CEE region on digital transformation processes, is very well aware that CEE enterprises are increasingly working on serious digital initiatives to make the most of opportunities and growth in the new economy. New Frontier Group’s approach is to broaden its customers’ focus beyond the technical aspects of digital transformation, although the changes IDC sees with the 3rd Platform are predominantly based on the implementation of these new technologies, and technology is, of course, a necessary precondition. But the starting point for digital transformation should not be a technology discussion; it should start one level above—namely, with the business strategy behind the technology.

IDC’s research for this white paper indicates that it is very important to consider the present situation of each company in relation to its vertical market and then adopt a digital transformation
process accordingly. This is exactly what New Frontier Group is suggesting to its customers: Kick off from the customer's business strategy and business model, implement a digital strategy, and plan digital initiatives during the consulting process. The three pillars of digital transformation are always included in this approach: relevant content, a proper communication channel, and customer data.

That said, we can recommend New Frontier Group's approach — i.e., not replacing the existing strategy with a new digital-only approach. As is clear from the research IDC has conducted, New Frontier Group recommends upgrading and extending enterprises' existing strategies based on a digital approach. This methodology is presented and used in digital strategy workshops, which enable a very sensitive approach to the customer. During the strategy planning phase, New Frontier Group introduces the digital and business approach to the customer — an approach able to generate growth and achieve measurable results and new value. Following such an approach, the outcome and vision of a new strategy framework are the result of extensive and thorough analysis of the client's situation, digital presence and practices, and business model.

It is also important to mention that New Frontier Group's attention to a client's needs does not end with a digital strategy. In addition to consulting and implementation services, the company offers measuring and reviewing services; nevertheless, the success of establishing a new digital strategy will always depend on the given customer's readiness and holistic willingness to fully embrace, internally, the paradigm shift to the 3rd Platform.

**CONCLUSIONS**

Digital transformation to the 3rd Platform can provide numerous benefits and opportunities, whereas not making the transition entails the risk of being left behind by the competition. Enterprises in CEE are clearly taking these trends seriously, as most of them have developed digital transformation strategies and have taken steps to implement business strategies based on the new technologies. However, much remains to be done. To streamline the process, companies should consider these strategies:

- If your internal resources or the abilities of your staff to plan and implement a smooth and successful digital transformation are in any doubt at all, seek external help. Whether you choose an existing business/IT partner or a consulting and advisory provider with a proven reputation, be certain that your external partner has a significant amount of experience in helping companies navigate the challenges involved, developing effective strategies, and implementing those strategies.

- Due to the changing role of ICT in driving innovation throughout the business, it is important to incorporate wider executive input into business and ICT strategies and decision making. This likely requires senior executive input, but LoB managers should also be considered. Much business innovation and ICT decision making is already taking place at the business-unit level. Digital transformation needs to incorporate both the views and needs of business leaders and ICT.

- Encourage the relevant departments of your company to shift from a traditional client server environment to 3rd Platform technologies when possible, especially when upgrade cycles or new investments present opportunities to do so. When so much of the IT department's budget is relegated to infrastructure and tools that merely keep the business running, it becomes more difficult to invest in new solutions that can help the enterprise innovate and meet future business goals. Departments should collaborate to make the
shift to 3rd Platform tools that may replace more expensive infrastructure — for instance, moving from a physical server to cloud-based infrastructure in a datacenter, which can reduce the CAPEX needed to upgrade and maintain infrastructure and equipment, while also reducing energy use, management costs, and space requirements. This will open up additional room in the budget to invest in technologies and IT initiatives focused on business transformation and growth to help the company innovate and outpace its competitors.

- Move toward subscription-based solutions for greater flexibility, such as the easier scaling of business operations and cost management. Many new 3rd Platform products are offered on a pay-as-you-go basis, with monthly billing for continued access. Choosing such options instead of purchasing licenses gives your organization the opportunity to test various vendors without making any major budgetary commitments on unproven solutions, as well as enabling scalability.

- Move to a holistic view of technology spending across the organization. Rather than operating independently of IT, other departments must develop a collaborative process to align with the IT department on technology expenditures. Assess how different lines of business are currently spending on shadow IT, and use this data to set a technology budget for future 3rd Platform initiatives — one that encompasses both IT and LoB budgets.

- As technology continues to gain in importance within enterprise strategies, the importance of allocating resources to the evaluation and implementation of new technology solutions also increases. Organizations are already taking on more staff in roles associated with social media, analytics, and mobile development than they are in other lines of business.

- Explore and evaluate alternative ICT delivery models to improve efficiency and cost management and thereby better support business operations and growth.
About IDC

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IDC Austria

Parkring 10/1/5
A-1010 Wien
Austria
+43 1 516 33 31 79
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