THE IMPACT OF AN OUTCOME-FOCUSED ROADMAP ON YOUR DIGITAL TRANSFORMATION
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Digital transformation is taking shape all around us, and it is disrupting businesses of all sizes, markets, and industries. According to one study, two-thirds of C-suite executives believe that 40% of Fortune 500 companies will no longer exist in 10 years’ time, due to digital disruption. As innovative new businesses appear and traditional giants risk falling behind, organizations understand the need to go digital fast, or risk falling behind.

Digital transformation is not only about business survival. It also opens up new opportunities for organizations to take a closer look at how they are doing business, get more out of their fundamental business processes, and open up their horizons to new possibilities. Organizations across all industries are striving to improve agility, strengthen core capabilities, spark innovation, and power IT to meet today’s digital business demands.

Addressing these challenges requires more than a reactive strategy. To succeed, you need a roadmap to guide you to the outcomes you desire. In this paper, we’ll explore some of the challenges that today’s IT organizations face as the pace of change accelerates. Our discussion will be informed by recent industry studies. We’ll talk about what’s needed to develop an effective roadmap, and the benefits it can provide. We will also present some examples showing how organizations have approached digital transformation, and the outcomes they have achieved.

Digital Challenges Open Up Digital Opportunities
The upside of digital transformation is clear. According to research from Harvard Business School, there are significant benefits to those who have employed a proactive approach to defining their digital strategy. The study shows three-year average gross margins of 55% for digital leaders, compared to 37% for laggards (Figure 1).

Companies understand the potential of digital transformation and are rapidly embracing it as a core strategic initiative. In the next 18 to 24 months, more than two-thirds of companies are aligning their IT strategy with business goals, delivering outcomes that extend well beyond IT (Figure 2). One-third of organizations stated that they were planning to become digital enterprises, where IT and business are fully aligned and the organization focuses on developing new models to improve the customer experience.

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3. ITSMA, VMware IT Value Model Benchmark, 2018

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What is driving the digital migration of IT organizations from service-focused infrastructure providers to more strategic digital enterprises? Both business and IT organizations are attracted by compelling opportunities. Businesses see digital transformation as a way to roll out new applications to market faster and gain the agility they require to respond quickly to changing customer demands. They are seeking to:

- Explore value in new areas of business, by examining their own processes and identifying new opportunities, while better understanding customers and anticipating new trends.
- Unlock value in their current core businesses, using capabilities like automation to improve their processes, drive down costs, and respond faster to changing customer demands.
- Build digital capabilities into their foundational system and data infrastructure by using data to make faster and better decisions, improving cross-functional collaboration, and decoupling legacy systems from those that support nimble, customer-facing interactions.

IT is looking to maintain its traditional commitment to control costs and increase efficiency, while supporting business stakeholders with improved choice and responsiveness. At the same time, IT is aspiring to play a more strategic role in innovating and driving new business opportunities. And as always, technical teams are striving to ensure security and compliance.

**What's Holding Organizations Back?**

Although business leaders understand the need to evolve and change to take advantage of new opportunities, they are often limited by their traditional infrastructure and organizations. In a recent survey, VMware customers highlighted three key challenges (Figure 3) that are causing their business and IT teams stress:

### Figure 2. Looking ahead 18–24 months, which profile describes the relationship you expect to have between your IT organization and the business?

<table>
<thead>
<tr>
<th>Infrastructure Provider</th>
<th>Business Provider</th>
<th>Digital Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcomes are primarily experienced within IT</td>
<td>Outcomes are primarily experienced within the line of business</td>
<td>Outcomes are primarily experienced by the customer of the business</td>
</tr>
</tbody>
</table>

% of respondents (N=306)

Source: ITSMA, VMware IT Value Model Benchmark, 2018

### Figure 3. Top people, process, and technology challenges.

<table>
<thead>
<tr>
<th>People Challenge</th>
<th>% of respondents (N=195)</th>
<th>Process Challenge</th>
<th>% of respondents (N=154)</th>
<th>Technology Challenge</th>
<th>% of respondents (N=221)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team silos</td>
<td>11</td>
<td>Poor quality</td>
<td>12</td>
<td>Too much customization</td>
<td>16</td>
</tr>
<tr>
<td>Collaboration</td>
<td>17</td>
<td>A2M</td>
<td>14</td>
<td>Legacy platforms</td>
<td>21</td>
</tr>
<tr>
<td>Lack of resources</td>
<td>18</td>
<td>Manual (lack of automation)</td>
<td>34</td>
<td>Complexity</td>
<td>28</td>
</tr>
<tr>
<td>Resistance to change</td>
<td>22</td>
<td>Bottlenecks</td>
<td>39</td>
<td>Integration issues</td>
<td>35</td>
</tr>
<tr>
<td>Skill sets</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Question asked: 1 people, process, or technology was ranked in the top three.
• **People:** As more and more businesses look to transform their business to remain competitive in today’s digital world, they are experiencing increased demands on IT resources and staff. At the same time, end users and employees expect faster response times and immediate resolution to issues. 53% surveyed cited resistance to change and lack of required skill sets as their top people challenges.⁴

• **Process:** Business and IT organizations must meet new demands and escalating expectations, yet they are often stuck with outmoded processes that can hamper agility and expectation. They contend with time-consuming, manual processes and siloed workflows that introduce new risks of error, making it difficult to deliver and manage IT resources consistently. 73% of those surveyed identified bottlenecks and manual processes as top process challenges.⁴

• **Technology:** Many IT teams are also reluctant to invest in new solutions due to the rapid pace of technology innovation. They need not only a solution that can meet today’s needs, but one that will also let them take advantage of the latest advances in hardware, application architectures, and the cloud. They may be struggling to integrate a mix of environments, including on-premises infrastructure, public cloud, and other systems, while lacking unified management capabilities. The solutions they choose must also integrate smoothly into their existing environments. 63% of professionals surveyed cited complexity and integration issues as their top technology challenges.⁴

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**A METHODOLOGY TO MOVE TOWARD THE DIGITAL ENTERPRISE**

VMware has developed an outcome-focused methodology that focuses on understanding each organization’s business needs and establishes a path to achieve them in a prescriptive, tailored roadmap to support their success. It functions as IT’s journey to increase their value to the business.

IT cannot simply build and deliver infrastructure and expect to fully realize its strategic potential. In a world where technology plays an increasingly critical role, IT must offer services, and act as a business partner serving its internal customers. It must further transform its mission from a business partner to a digital enterprise. To become a strategic partner with the business, IT must evolve to become a digital enterprise developing and delivering digital models with a focus on providing a superior experience to end customers.

VMware’s proven methodology enables IT to uplift itself from a tactical service provider to a strategic partner to serve the business’s external customers and revenue goals.

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⁴ITSMA, VMware IT Value Model Benchmark, 2018
Developing an Outcome-Focused Roadmap

It’s clear that traditional IT models are not sustainable for companies that want to remain competitive. To move forward, IT and business teams must reconsider their relationships, and position IT as a critical partner to support digital business transformation. By creating an outcome-focused roadmap aligned with the business goals, organizations can increase their chances of success in digital transformation initiatives.

To move forward successfully, you first need a good understanding of your current state. Consider the following:

- **Culture**: Who is your primary customer and how are you measured?
- **Competencies**: The ability for IT to do something successfully or efficiently.
- **Capabilities**: The people, process, and technology used to ensure a sustained result.

The roadmap should consider how the business views the IT organization, and map IT to business relationship profiles (Figure 4). On the vertical axis, an Operating Model Maturity measures how an organization is progressing within the Business Relationship Profile. The horizontal axis shows the Business Relationship, measuring how IT is perceived by the business.

33% of organizations with an outcome-focused roadmap stated that they were very well prepared to develop the competencies and capabilities required for success, such as digital convergence and DevOps—while only 16% of organizations without a roadmap felt prepared.

Today, IT is typically seen by the business as an infrastructure provider with a highly tactical role focused on driving efficiencies. It has traditionally focused on reducing costs while fighting for budget over competing digital imperatives. Its top priorities included reducing CapEx, data center consolidation and migration, increasing standardization, maximizing stability, and reducing outages.

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5 ITSMA, VMware IT Value Model Benchmark, 2018
But when IT can align to and partner with the business to create new digital business models that focus on better serving the end-customer, it becomes a highly strategic organization that can accelerate innovation. At this level, IT is actively enabling applications to be delivered quickly and focusing on giving the business its desired services quickly and efficiently, to boost business agility and bring products to market faster. As a business partner, IT can focus on high-quality service delivery and demonstrate quantifiable value to the business. An organization that was formerly tactical can expand its focus to include more strategic priorities like reducing OpEx, providing on-demand services, and maximizing service quality and business intimacy.

The ultimate aspiration for IT is to move toward a fully converged digital enterprise, where IT becomes the medium to do business. At this stage, the focus is on digital business models that power demand generation and consumption, based on driving revenue from customers through IT. One example of a new business model is service consumption through mobile devices: connecting to millions of customers on their smartphones, tablets, and other mobile devices. As an integral part of a digital enterprise, IT focuses on initiatives like containers using cloud-native tools, automation of the DevOps cycle, and continuous integration and deployment.

As this journey progresses, organizations can unlock incremental value at each level. But when the relationship between IT and the business changes, transformational value is unleashed (Figure 5).

In this illustration, incremental value increases as organizations move upward, while transformational value increases as they move from left to right. Each business relationship profile has a different focus and value measurement:

- **When IT functions as an infrastructure provider**, CapEx reduction is a top value measurement, and is generally realized within IT and the data center.
- **As a business partner**, IT maximizes efficiency, delivering services and value that are experienced within lines of business.
- **At the digital enterprise level**, IT drives new business models that generate revenue, and deliver value that is experienced by the business’ end customers.
The Right Roadmap Can Take You There

Becoming a digital enterprise does not just happen. It requires strategic planning and guidance, together with support and readiness from an organization’s culture, competencies, and capabilities. Organizations that have an outcome-focused roadmap are better prepared to develop the skills required. They are also more likely to have aligned their IT strategy with their business strategy and reach their target state faster than those without one.

An effective IT roadmap empowers IT with an essential tool that lets them articulate, gain alignment, and communicate their value to the business. It establishes clear direction for the business-aligned, tailored journey IT must take to support the business. An outcome-focused roadmap is also a critical success factor in enabling organizations to tackle top challenges, apply the best possible skill sets to initiatives, and overcome bottlenecks and integration issues.

For example, based on our global experience delivering outcomes for customers across all industries, VMware has defined a set of mandatory capabilities that organizations have implemented to be successful. Each solution set provides value to the organization, which builds at every step upward (Figure 6).

Figure 6. VMware has defined key competencies required to be successful.

IT organizations that function as infrastructure providers build on foundational solution sets, leveraging a virtualized infrastructure, private cloud, and hybrid cloud, to drive efficiencies.

As IT develops into a business partner, its solution sets focus on agile applications and services, delivered via Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), and Anything-as-a-Service (XaaS). For example, an organization could automate the fundamental business application lifecycle for Enterprise Resource Planning (ERP) software to support testing and development to accelerate business process optimization.

A digital enterprise would employ competencies such as DevOps, Third-Platform, and digital convergence to deliver value through innovative business models.

Spanning all three of these business relationship profiles are consumer and cybersecurity themes that are critical to the IT organizations competency development, regardless of where they are in their aspirational journey.
Business requirements for consumers include issues like:

- Identity management
- Application delivery and management
- Desktop management and experience
- Mobility support

Cybersecurity considerations include issues such as:

- Infrastructure, application, and threat insight
- Protection
- Control and compliance

Putting the Roadmap to Work

Let’s consider an example of how this roadmap approach has worked in practice. A Managed Service Provider (MSP) was seeking a better way to manage growth following an acquisition that increased its size by 400% (Figure 7). The organization needed to absorb more than 700 new business applications, and also needed to support expanded hosting capabilities. Under pressure by the business to reduce financial penalties, which were tens of thousands of dollars daily, the firm realized the need to adopt a hybrid cloud model to spin up a staging environment, migrate the application, and then ramp down that environment to support the migration project.

The MSP built on its virtual infrastructure and deployed a unified cloud management platform. This platform can support provisioning of any platform to any cloud, and offers security, as well as operational and financial transparency.
Employing an outcome-focused roadmap enabled the service provider to successfully migrate its workloads quickly, to avoid financial penalties. More than 45% of its workloads reside on the public cloud, and the organization has dramatically reduced IT operating costs.

Another organization sought to follow its roadmap to move forward on its digital transformation journey (Figure 8). The service provider was seeking to evolve its organization toward a more customer-focused organization and innovate faster to get new services to market.

Employing a roadmap approach, the provider deployed IaaS and PaaS offerings to support its line of business users, and enabled DevOps to create new offerings and revenue streams—as well as a better experience for its end customers.

A Modernized Data Center Is Fundamental

A multitude of pathways are available to organizations seeking to move forward on their digital journey. Regardless of which path an organization takes, the first steps on that roadmap are developing the competencies and mandatory capabilities for a virtualized infrastructure, followed by a private cloud—supported by the people, processes, and technology required to drive it.

These steps are essential to achieving a modernized data center. They are fundamental to enabling organizations to drive targeted service capabilities that will enable the commonly desired business outcomes of agility and innovation. They are also essential to positioning organizations to deliver exceptional mobile experiences, protect their brand, and nurture customer trust.
VMware’s approach to a modern infrastructure is based on a software-defined, hyper-converged architecture across compute, storage, network, and security, with common management across all. This architecture enables an enterprise-ready, high-performance infrastructure. It’s more flexible, because it’s hardware-independent; more agile because it’s highly programmable; and more cost-effective because it’s scalable and based on commodity, rather than specialized, hardware.

A modernized data center is about business readiness—building an infrastructure to enable organizations to be ready for any future business need.

Today’s traditional data centers are generally hardware-driven, residing on-premises in multiple locations. But over time, as an organization extends into new markets, acquires new customers, offers services in new locations worldwide, and develops innovative products and services, flexibility and scalability become paramount.

With a modernized data center, customers build a software-defined (and hardware-agnostic) infrastructure that serves them in public, hybrid, and multi-cloud environments. They can create a unified digital foundation with a common operational model, that can quickly scale and evolve to keep pace with changing business needs. The modernized data center enables customers to invest in future flexibility.

Get Started on Your Journey

Today’s organizations are committed to seizing the initiative and moving forward on their digital transformation paths. A prescriptive roadmap can help step you through the key competencies that are required and enable you to unleash the successful business outcomes you require most—with minimal risk.

By employing a flexible, evolutionary approach to a modern data center environment, you can jump-start innovation and agility today, and put a foundation in place to support new capabilities as your business changes and grows.

Contact your VMware account representative and sign up for a guided evaluation on your current state—and where you would like to go.

You can also learn more about how VMware is helping companies around the world on the path to a modernized data center. Check out our Future Proof Your Investment Strategy for Data Center and Cloud white paper.