▶ *E-Guide*

A Step Ahead: Industries Tackling Digital Transformation Head-On

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Under the threat of disruption from fast-moving, digitally-native firms, today's companies are tasked with executing digital transformation strategies to keep up. But which industries are under the most pressure to transform – and which are succeeding?

In this E-Guide, get a glimpse at how industries including telecommunications, banking, and education are keeping a step ahead of the digital transformation curve.

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Digital transformation strategies: Progress in telecom, banking

John Moore, Site Editor

A new report ranks telecommunications, banking, utilities and education as the industries making the most progress with their digital transformation strategies.

Ovum, a market research firm based in London, studied 14 industries based on more than 6,300 interviews with senior IT executives worldwide. The company asked respondents to rate their organizations against several steps Ovum identified as central to digital transformation. Those steps included taking on cybersecurity, developing digital skills, putting in place the necessary organizational structure and culture, digitizing processes, creating digital services and articulating a digital strategy.

The market researcher created a digital maturity index to chart the progress of enterprises across the transformational steps. Topping the benchmark are companies in the telecommunications industry, which scored 43.9% on Ovum's index. Banking placed second, with a score of 42%, followed by utilities at 41.7% and education at 41.4%.

A score of 100% would indicate full realization of the digital steps. Scores in the 40s show an industry sector is progressing toward digital transformation as a whole, according to Ovum. So, even enterprises in the top-rated industries still have a considerably long journey ahead of them.

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Daniel Mayo, director of data tools and insights at Ovum, suggested digital transformation, tied to the broader trend of business transformation, takes a while to take hold. Such initiatives compel organizations to change how they think, react and cope in the digital world, which is a much bigger undertaking than deploying a website front end or rolling out mobile apps, he noted.

The focus, Mayo said, has "shifted to the realization that the whole enterprise needs to be digitally transformed, which, of course, takes time."

Transforming telecom

Industries most heavily engaged in digital transformation tend to be those facing the greatest challenges. "We find it in sectors where there is tremendous change," Mayo said.

In banking, for example, fintech upstarts are disrupting long-established financial institutions, forcing them to develop startup-inspired digital responses to counter the threat. In telecom, meanwhile, the rise of cloud computing challenges traditional providers to rethink how they deliver their services to customers.

Chris McReynolds, vice president of cloud and data product management at CenturyLink Inc., a telecommunications company based in Monroe, La., said when cloud providers entered the market, they offered a faster way to deploy applications and scale-out resources to meet customer needs.

"Telecom providers, historically, haven't been great at deploying their services in a similar manner," McReynolds said.

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Against that backdrop, the telecom industry has been tapping the cloud and adopting technologies such as software-defined networking to boost service delivery. Using such tools, CenturyLink now has the ability to let customers add or subtract virtual connections to the cloud via a portal or APIs, he noted.

CenturyLink partners with public cloud providers and also offers its own private cloud services, McReynolds said, calling from the Amazon Web Services' re:Invent 2017 conference in Las Vegas.

In addition to enabling new ways of meeting customer needs, digital transformation plays a cybersecurity role for enterprises in the telecom space, McReynolds said. CenturyLink, he said, is using AI to correlate data gleaned from the company's network backbone.

"Using AI, we can ... identify threats before they occur, so we can get ahead," McReynolds said.

CenturyLink's use of AI puts the company ahead of some of its enterprise peers. The Ovum survey found AI uptake trailing the adoption of other digital transformation enablers, such as big data, APIs, the internet of things, containers and microservices. Big data and API-based architectures topped the Ovum survey with respect to both enterprise adoption plans and current adoption, with nearly 40% of respondents reporting pilots or deployments underway in those areas.

Room for improvement

Despite signs of progress, digital transformation strategies at most enterprises remain in their infancy. Only 8% of the IT executives Ovum surveyed believe they have achieved transformation, while just 16% consider themselves well-advanced.

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One roadblock in the path of transformation may be the lack of an overarching strategy. Mayo said many enterprises pursue a collection of digital transformation initiatives, but have yet to develop a company-level strategy. He said that situation will need to change in the next couple of years if companies want to achieve transformation.

"They need to know what the endgame is going to be," he said.