

# Digital Transformation in the COVID-19 World

Response, Adaptation, and  
Acceleration across Asia/Pacific

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# Accelerating recovery and growth toward the next normal

As companies navigate the uncertainties and steer their people and businesses toward what will be the next normal, one thing is clear: those that have committed resources to digital transformation (DX) or are high on the DX maturity curve remain resilient.

According to IDC's five-stage "Crisis-to-Enterprise Recovery" framework, technology is the opportunity for organizations to minimize the impact of the current crisis and emerge on the other side of the curve resilient, more digitally fit, and ready to capture their share of the new opportunities as part of the "next normal".

Instead of following the same course of cost cutting as previous recessions have dictated, Asia/Pacific companies are investing in technology to explore new use cases, including new operating and business models. IDC's ongoing research on the impact of the COVID-19 pandemic shows that the number of organizations focused on business resiliency remains fairly consistent. Their motivation: to get their house in order so as to prepare adequately for the recovery phase. **This is the most critical stage of the journey to the next normal future.**

Business resiliency will require organizations to put the right capabilities and processes in four key areas: pandemic risk management, operational contingency plan, digital workplace, and organizational agility.

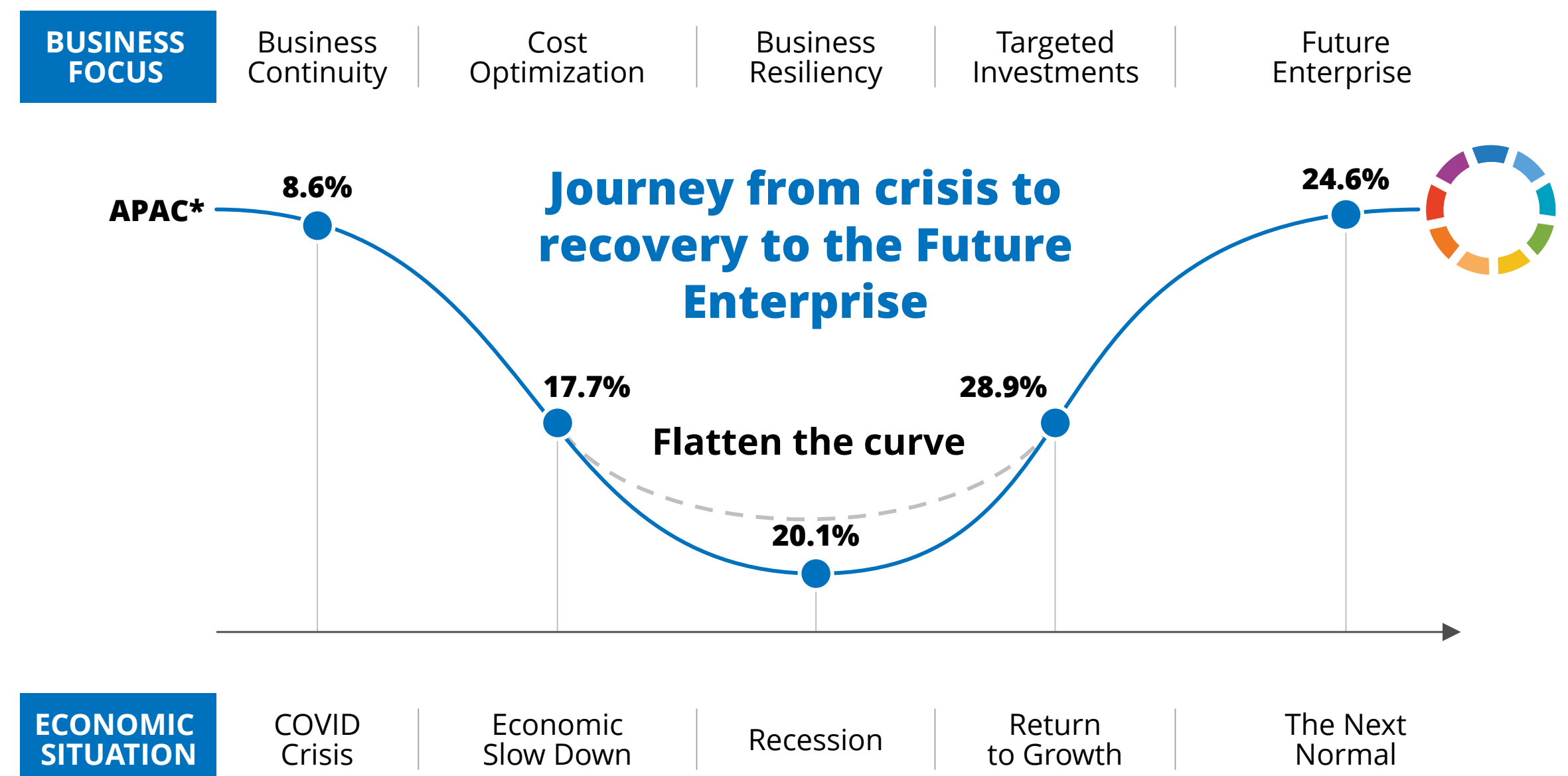


**By 2023, 70% of organizations will have comprehensive DX implementation road maps, from 20% today, resulting in true transformation across all facets of business and society.**



Asia/Pacific organizations have **accelerated their recovery journeys**, with at least **55%** focusing on new technology investments to either return to growth or to operate more as a digital enterprise that is vital to succeed in the next normal future, or what IDC refers to as a "Future Enterprise".

From May to September 2020, the number of Asia/Pacific organizations that are on the **accelerated DX investment path** increased by **4X**. During the same period, the proportion of organizations in the cost optimization stage also fell by 15 percentage points, an equivalent of a 75% decline — reflecting the pace at which Asia/Pacific organizations are leveraging technology to flatten the recessionary curve.



Source: IDC FutureScape: Worldwide Digital Transformation 2021 Predictions — Asia/Pacific (Excluding Japan) Implications, Doc #AP45983820, February 2021 | IDC COVID-19 Impact Sentiment Wave Survey 2020 (N=2,945 APAC 500+ Employees) (\*Indicative Benchmark); Aggregated up to September 15, 2020 (Wave 12)

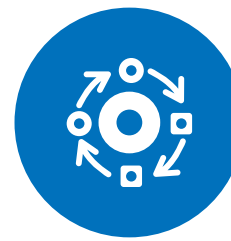
# The focus is on response, adaptation, and/or acceleration

There is no other way out of these uncertain economic times but to respond, adapt, and accelerate through the crisis. To date, the majority of organizations with the most technology leverage potential are in one of the three categories — response, adaptation, and acceleration — or a mix of all three. These modes are not mutually exclusive; there are organizations focused on two or all three areas because of the different lines of business and each experience a different recovery pace.



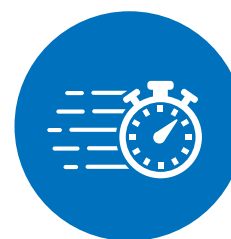
## Response

Organizations focused on “response” are primarily driven by cost optimization. Here is where automation and the opex consumption model are the main priorities.



## Adaptation

Organizations focused on “adaptation” tend to pivot toward building business resiliency. The areas where technologies and digital capabilities play a major role include work-from-home enablement, safe distancing measures for return-to-workplace initiatives, organizational agility programs, and business continuity in response to subsequent inflection cycles and other unexpected disruptions.



## Acceleration

Organizations focused on “acceleration” look into next normal future scenarios, experiment new business models, and evolve existing operating models. Their investments in technologies and digital capabilities are more about new revenue generation, new customer acquisitions, and competing differently in 2021 and beyond. Many of the initiatives in the Asia/Pacific region are on building/scaling a digital-first environment, O2O (offline to online and vice versa) customer engagements (ordering, payment, delivery, and support), ecosystem/supply chain integration and transparency/visibility as well as new use cases for reimagined next normal scenarios.



## Automation is the leading driver in response mode

**60%**  
Enterprises

By 2024, recurring infrastructure failures inhibiting business resiliency and security across all locations will have driven 60% of enterprises to mandate using automated digital infrastructure.

**75%**  
Asia 2000  
IT organizations

By 2024, 75% of Asia 2000 IT organizations will have adopted automated operations practices to transform their IT workforce to support unprecedented scale.

**The top priority for data-driven technology investments among Asia/Pacific organizations is automation.**



## Augmentation is the leading driver in adaptation mode

**40%**  
A2000  
companies

By 2021, the external shocks and resulting uncertainty will drive 40% of A2000 companies to discard existing decision models and focus on a new framework for decision environments to improve resiliency.

**30% of Asia/Pacific data leaders identified augmentation as the leading priority. Technology-led augmentation is critical for organizations to innovate new products, deliver new offerings, deliver digital products, improve marketing/promotional effectiveness, and to aggressively gain competitive shares.**

Source: IDC FutureScape: Worldwide Future of Digital Infrastructure 2021 Predictions — Asia/Pacific (Excluding Japan) Implications, Doc #AP46313221, February 2021 | IDC FutureScape: Worldwide Future of Intelligence 2021 Predictions — Asia/Pacific (Excluding Japan) Implications, Doc #AP45494720, January 2021 | IDC's Cloud Pulse Q1 20, March 2020 (APAC N=950) | IDC Survey of Data Leaders 2020 (APAC N=567)

# But acceleration mode paves way for more opportunities

Asia/Pacific's C-suite have 9 digital agenda items that are key to accelerating their race to recovery and to thrive in the next normal future.

## 9 DIGITAL AGENDA ITEMS

### THE TOP 3 ARE



#### Future of Intelligence

Building and scaling insights to drive better decision making, customer engagements, and partner collaboration.



#### Future of Operations

Building and scaling business resiliency to respond to unexpected disruptions.



#### Future of Digital Innovation

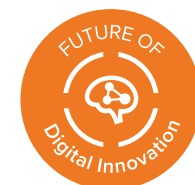
Delivering agile DevOps to enable innovations and new use cases.



**Future of Intelligence** - Data programs to gain insights into our business operations, products, and/or ecosystems



**Future of Operations** - Business operations resiliency programs



**Future of Digital Innovation** - Software development capabilities to drive product/experience innovation



**Future of Work** - Workplace transformation programs



**Future of Trust** - Digital trust programs



**Future of Connectedness** - Connectivity programs to connect workforce, operations, and partners



**Future of Digital Infrastructure** - Digital infrastructure resiliency programs



**Future of Industry Ecosystems** - Participation in new digital ecosystems



**Future of Customers and Consumers** - Customer experience programs

Source: IDC COVID-19 Impact Sentiment Wave Survey 2020 (Wave 11 N=329 APAC 500+ Employees), September 1, 2020

# And the underlying technology is in cloud



**By 2024, 60% of enterprises will have prioritized infrastructure agility and operational efficiency, leading to a five-time increased adoption of cloud-native architectures for core business applications.**

The top business goals are increasingly focused on growth (i.e., revenue generation) and agility (i.e., improve product/service quality). Lowering costs and risk along with speed to market make up the rest of the top 5 most important goals for organizations in flattening the recessionary curve and preparing to return to growth.



80% of cloud budgets are above infrastructure today and in the next 2 years. The rest are in software as a service (SaaS) as well as IT services (managed, professional, and security).



Source: IDC FutureScape: Worldwide Future of Digital Infrastructure 2021 Predictions — Asia/Pacific (Excluding Japan) Implications, Doc #AP46313221, February 2021 | IDC's Cloud Pulse Q1 20, March 2020 (APAC N=950) | IDC's Cloud Pulse Q2 20, June 2020 (APAC N=411) (Allocate 100 points among the 5 goals based on their importance to the organization)

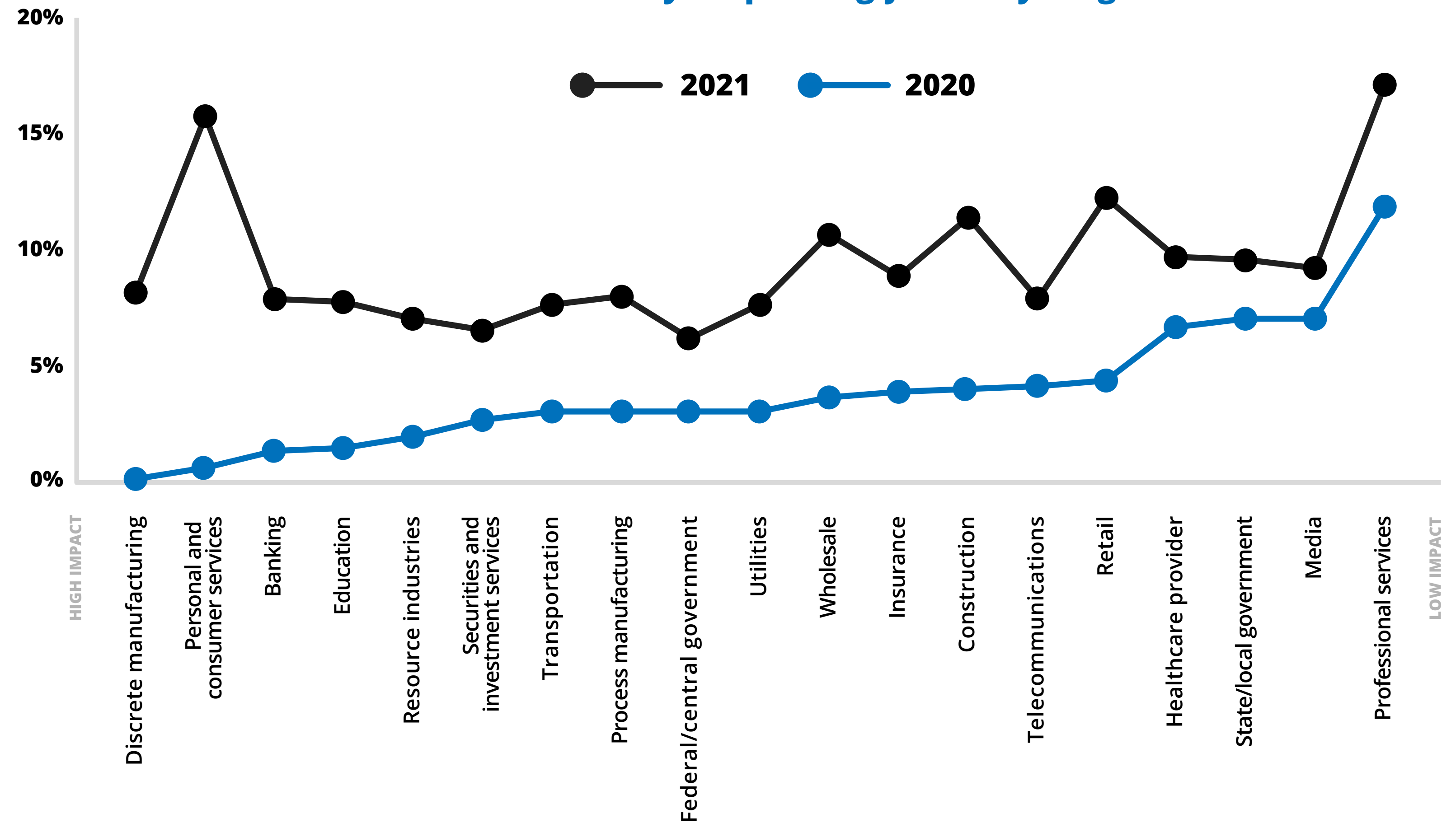
# The crisis impact on industries and their recovery journeys

With Asia/Pacific already on its path to recovery and increasing consumer confidence, sectors that have been the hardest hit by the crisis — including manufacturing as well as personal and consumer services (F&B, hospitality, entertainment) — are expected to see a rebound in 2021 as some normalcy returns.

Banking, financial services, and insurance (BFSI), manufacturing, public sector, and infrastructure sectors are also expected to remain the largest tech buyers in the region. Hotspots include consumer banking/insurance, connected supply chain, government-stimulus programs, education, healthcare (particularly in public institutions) and transportation.

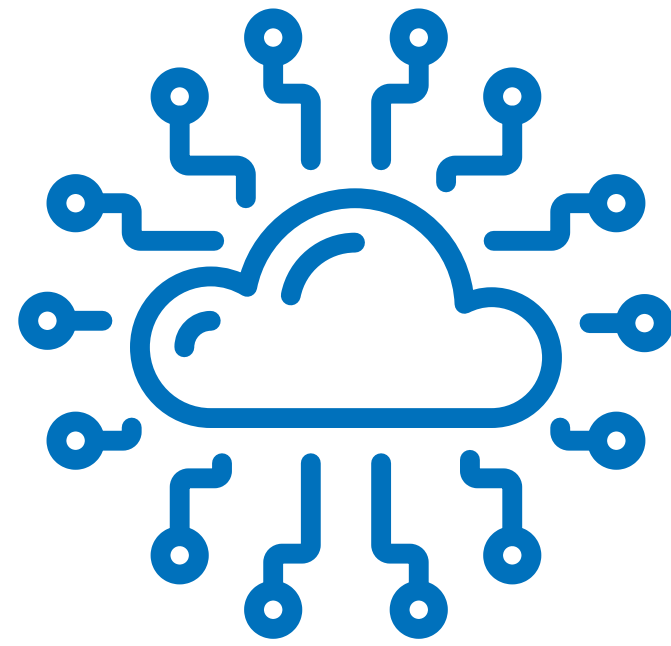
The acceleration in digital transformation will drive most of the new spending across most if not all industries, with both B2C and B2B brands recognizing the need for digitalization to drive business forward and engage with their customers differently in both the current new normal and next normal future.

**Asia/Pacific industry IT spending year-on-year growth**



Source: IDC Worldwide ICT Spending Guide Industry and Company Size - Growth in Constant Currency, June 2020

# Top priorities in cloud by major industries

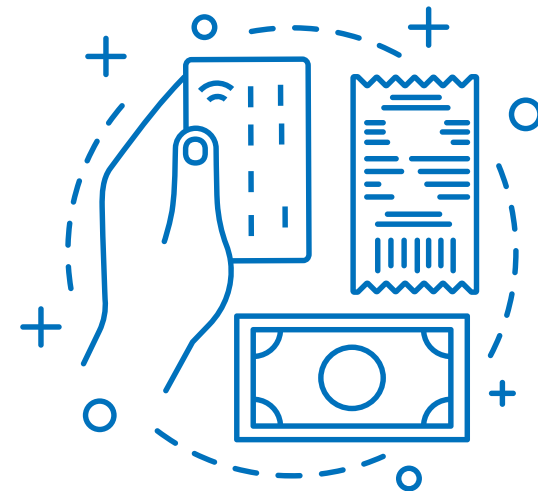


The current crisis is an important catalyst in getting organizations to rethink various aspects of their operating models, in which the prime rationale for strategic postcrisis adjustments and investments relate to avoiding or minimizing future business disruptions.

The benefits of cloud, such as high availability, scalability, and business continuity, have made cloud the most strategic and most widely adopted technology during the pandemic. From leveraging SaaS solutions that cover collaboration, productivity, and security point solutions, cloud solutions and services have been adopted to support remote working and innovation initiatives.

The pandemic forces organizations to invest in new projects despite containing costs and cloud has been the choice technology. Although cloud migration has been an ongoing trend, COVID-19 has fueled an industrywide acceleration.

Source: IDC's Cloud Pulse Q1 20, March 2020 (APAC N=950)



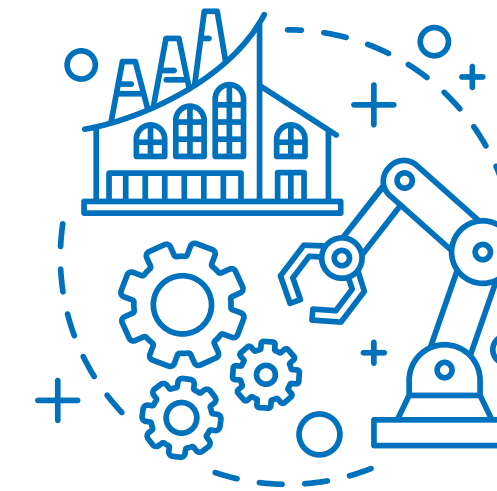
## FINANCIAL SERVICES

- Comprehensive security – identity access management, intrusion protection, anti-virus, predictive threat capabilities
- Risk management – minimize business loss, understand potential exposures and data loss prevention
- Automation for efficiency and to speed delivery
- Application performance (response time and latency)
- Disaster recovery and backup
- Consistency in operations and tools
- Compliance and regulatory



## INFRASTRUCTURE AND TECH SERVICES

- Comprehensive security – identity access management, intrusion protection, anti-virus, predictive threat capabilities
- Risk management – minimize business loss, understand potential exposures and data loss prevention
- Application performance (response time and latency)
- Consistency in operations and tools
- Disaster recovery and backup
- Compliance and regulatory
- Faster time to market/digital innovation



## MANUFACTURING

- Disaster recovery and backup
- Consistency in operations and tools
- Application performance (response time and latency)
- Automation for efficiency and to speed delivery
- Maximize resource utilization or densities
- Data integration and data access across cloud environments
- Integrated network process across cloud providers



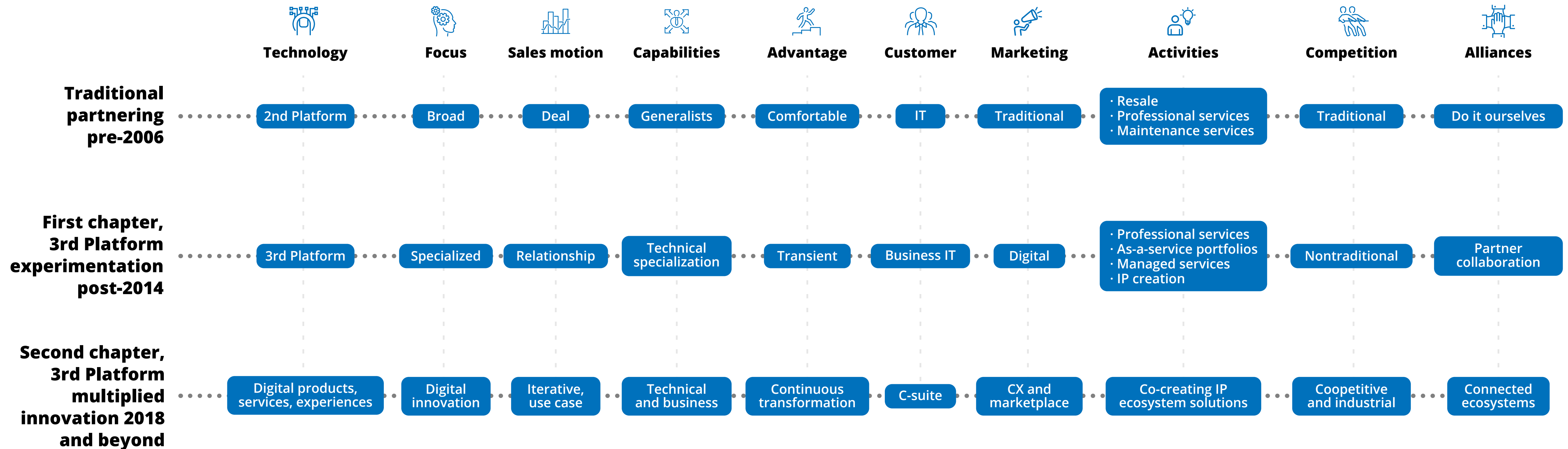
## PUBLIC SECTOR

- Application availability (uptime and reliability)
- Disaster recovery and backup
- Application performance (response time and latency)
- Compliance and regulatory
- Comprehensive security – identity access management, intrusion protection, anti-virus, predictive threat capabilities
- Risk management – minimize business loss, understand potential exposures and data loss prevention
- Automation for efficiency and to speed delivery

# Partner transformation from crisis to the next normal

The response of organizations to COVID-19 will shape the perception of their brand and reputation over the next decade. As part of this, there needs to be a rethink of the core principles of how business operates. In the short term, technology has proven to be a key enabler that kept businesses afloat during the crisis by enabling remote work, agile business, and external digital engagement. In the longer term, organizations will leverage technology to underpin every single process, initiative, or value chain as they journey to the future state – the Future Enterprise.

To effectively enable customer organizations in the next normal, IT solutions partners must transform themselves to become true DX partners.



Source: IDC Partner Transformation Research, 2020



# The partner transformation playbook

According to the IDC Partner Transformation Framework, there are 10 transformational steps to become a Partner of the Future 2.0.

## 10 transformational steps



### Technology

The transition that partners need to cater for in Partner of the Future 2.0 is continuing to develop their emerging technology business while developing and integrating those technologies into digital products, services, and customer experiences. Customers will look for specialized capabilities to create new digital innovations.



### Focus

Partners will have to develop and build a deep understanding of the continuing process of DX as it applies to various vertical sectors. Customers will expect partners not just for selling solutions but also playing the role of a business consultant, boldly imagining new-enablement models and driving DX into the post-COVID-19 world.



### Sales motion

IDC expects project sizes to become more frequent, discrete, and smaller. This will mean that partners must prepare themselves for this new reality of new types of engagements that are use case-driven, more frequent, and agile. Building the expertise around market-responsive DevOps practice would be a good first step.



### Capabilities

Partners will be valued by their customers on their ability to show how their specializations translate into new solutions and creative business offerings. By working together with their clients, partners will transform this relationship into a deeper, more valuable business-first, technical-second partnership.



### Advantage

Loyalty to any partner is constrained by the expense of maintaining that relationship, and budgetary pressures within customers naturally force them to constantly reevaluate that partnership. One place that partners will seek this continuous advantage is by implementing a process of continual IP monetization throughout the company.



### Customer

Selling into lines of business is just as important as selling into the CIO/CTO office. DX is a team sport and DX decisions are more likely to be made by more than one executive; hence, equipping salespeople with business solution skills is an essential part of the transformation.



### Marketing

Digital marketplaces are springing up. Where partners have found niche areas to monetize their own IP, a marketplace where partners can collaborate on various unique specializations helps to digitally promote those offerings, locally, regionally, and globally.



### Activities

IP co-creation with other partners will be an integral part of serving customers in the COVID-19 world. Customer organizations expect partners to come with innovative ideas that they can bring to market quickly.



### Competition

Embracing competition in all its complexity and capabilities means new digital solutions are too complex for a single partner to be able to accommodate all the needs of the customers. Those with specialized niches playing to particular strengths will be able to be part of future consortia that will be required to put together a jigsaw solution of customer requirements.



### Alliances

Customers value access to a diverse set of capabilities through ecosystem co-creation. Alliances therefore become an essential competitive tool to a slice of a bigger pie in the world of digital transformation.

Source: IDC Partner Transformation Research, 2020

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