HFS horizons

Cloud Native Transformation, 2022

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Excerpt for HCLTech

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There is a fundamental disconnect in how the industry discusses organizations moving toward the cloud. The supply side is evangelizing technology and capabilities with containerization and Kubernetes as the focal point for that marketing noise.
Conversely, the buy side is struggling to capture the value of their cloud investments, as very few clients have a well-defined cloud transformation strategy at an organizational level, which can lead to transformations done in silos. Only by aligning technology transformation to business objectives will organizations get closer to capturing value from their investments. Thus, we need to reset the discussions on cloud native transformation.

Tom Reuner, Executive Research Leader, HFS

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Introduction and the HFS value chain

Introduction

- The market noise around cloud remains deafening. Despite all the noise, the journey toward cloud native remains challenging. For many organizations, costs spiralled out of control, and the harsh lessons of ineffective controls are sinking in. Often, a change of provider has accompanied the realization of these challenges. Too often, the industry leads with capabilities and technology jargon rather than providing clarity on what broader strategic outcomes should be and how to deliver on them. We must confront the new operational complexity that moving toward becoming cloud native entails. To help, HFS is launching a new Horizons study on cloud native transformation (CNT) to learn from the experiences of organizations that have not only moved workloads into the cloud but also transformed their operating—or even business—model.

- The inaugural HFS Horizons: Cloud Native Transformation, 2022 report examines the capabilities of 20 IT service providers and management consultancies offering differentiated approaches to meeting the transformation needs of clients. This research effort will assess how well service providers are helping their clients to envision and deliver cloud native transformation outcomes.

- We assessed and rated the transformation capabilities of these service providers across a defined series of value proposition, innovation capabilities, go-to-market strategy, and market impact.

- This report also includes detailed profiles of each service provider, outlining their placement, provider facts, as well as detailed strengths and opportunities.

Executive summary

1 **The leaders**

We assessed 20 service providers across of value proposition, innovation capabilities, go-to-market strategy, and market impact criteria. The leaders in Horizon 3 are, in alphabetical order, Accenture, Deloitte, HCLTech, IBM, and Infosys. These leaders' shared characteristics include blending a compelling vision of cloud native transformation (CNT) with deep technology transformation capabilities. The wheat gets separated from the chaff when providers demonstrate how business objectives get translated into a cloud target operating model that allows clients to capture value. Without defining and articulating business objectives and then applying technology transformation to get those outcomes, more transformation journeys will fail.

2 **Transformation and value capture**

We no longer need to evangelize the reasons for moving toward CNT. With the pandemic shock, even the laggards listened to the wake-up call. Yet, "half of cloud transformations are abject failures," the cloud engineering leader of one of the Big 4 bluntly put it. Too many businesses start their cloud journey with an infrastructure and cost focus. Then they become disillusioned when costs and liabilities explode. More fundamentally, one of the biggest hurdles in CNT is that customers bring their legacy operating model (people, process, technology) to the cloud. Cloud demands a major step change in ways of working and requires an agile, market-speed model. This includes DevSecOps practices, a shift to a product mindset, agile delivery, and a culture of innovation and continuous learning. CNT is about defining business objectives and applying technology objectives to get there.

3 **Demonstrating business assurance**

To get to the envisaged outcomes, organizations expect the velocity the cloud offers and want to see a certainty of outcomes. While there are no certainties in life, accommodating these concerns must go beyond technology-centric approaches like quality assurance. Rather, cloud native means there is an inherent shared responsibility across a broad set of stakeholders to guarantee governance, risk, and compliance. A new breed of business command centers enabled by observability and AIOps can help to measure progress. The quality assurance community should step up to those challenges and deliver on the promise of business assurance it has championed for a long time. Thus, enterprise leaders should look at business assurance in the same way they tie technology transformation to business objectives: Focus on outcomes, not capabilities.

4 **Compelling outcomes**

Despite the disconnect in the discussions on cloud transformation, there is a plethora of compelling transformation outcomes. However, the study revealed these transformations are on the domain or functional level but not yet on the enterprise level. Achieving data-driven outcomes is at the heart of the HFS OneOffice concept. Organizations increasingly seek experience-led outcomes ranging from customer to employee to ecosystem experiences. They must align their data needs to deliver on business strategy to achieve those outcomes. To succeed with this transformation, organizations must run data and application modernization in parallel.

5 **A reset of the CNT discussions urgently needed**

The supply side must stop leading with technology transformation. Without tying the technology strategy to business objectives, organizations will continue to struggle to capture the value from investments in the cloud. Many of those objectives are underpinned by the cultural change of establishing SRE practices and industrializing DevSecOps. This support drives the cloud discussions back to outcomes in line with OneOffice narratives. Enterprise leaders must prioritize defining business objectives and design their cloud target operating model accordingly. It can't be said often enough: Successful cloud native transformation is more about culture and people than technology capabilities.

The HFS cloud native transformation value chain 2022

Cloud native transformation: While cloud migration and functional transformation are part of organizations' journey toward cloud native, the focus is on operating model transformation, business model transformation, and innovation outcomes. Cloud native can be defined as a software stack to deploy applications as microservices, packaging each part into its own container, and dynamically orchestrating those containers to optimize resource utilization. Yet, cloud native transformation is more about a set of architectural and cultural principles. Ultimately, cloud native is about how we create and deliver, not where.

Envisage	Implement	Manage	Operate	Innovate
• Discovery sessions • Cloud business case • Cloud strategy development • Cloud portfolio analysis • Cloud native assessment • Design thinking • Design the solution • Define minimum viable product (MVP) • Customer experience design • DevOps maturity assessment • Data strategy • Roles and responsibilities • Cloud governance framework • Risk assessment • Compliance assessment	• Set up objectives, indicators, monitoring and observability • Cloud operating model • Scaling the MVP • MVP retooling • Full lifecycle systems engineering • Mentoring • Onboarding • Production readiness review • DevOps toolchain design and build • DevSecOps • Application modernization	• Decommission of legacy applications, which have met the end of their useful lifecycle • DevOps engineering for continuous integration and continuous development (CI/CD) pipelines • Site reliability engineering (SRE) • Platform engineering • Customer reliability engineering • AIOPs and observability • Quality assurance • Production readiness upgrade • Enable cloud CoE	• Application management • Remote incident response • Managed environments • Managed cloud applications • Managed application modernization • Managed security services • Managed DataOps • Remote monitoring and management • Professional service automation • Disaster recovery-as-a-service	• Business assurance • Function-as-a-service • Digital twin simulation • New channels • Agile budget and funding methods • FinOps • Industry cloud platform • Industry-specific ecosystems • Sustainability and net zero agenda

Excerpt for HCLTech

The HFS cloud native transformation value chain defined

This study focuses on how service providers help clients envision and ultimately deliver cloud native transformation. While cloud migration and functional transformation are part of organizations' journeys toward cloud native, the **focus is on operating model transformation, business model transformation, and innovation outcomes.**

Cloud native can be defined as a "software stack to deploy applications as microservices, packaging each part into its own container, and dynamically orchestrating those containers to optimize resource utilization." (Source: Cloud Native Computing Foundation [CNCF]).

Yet, **cloud native transformation is more about a set of architectural and cultural principles** (see our PoV, Avoid the buffering wheel—heed experiences from cloud native transformation for details). Ultimately, cloud native is about *how* we create and deliver, not *where*. The heart of cloud native is cloud-based services. This is the platform upon which organizations build, launch, and operate their distributed, containerized, and automated modular application empire.

Against this background, we want to better understand how services providers help clients to envision their operational future. **How do they help to transform the IT operations and delivery? And, where applicable, how that enables business model transformation. How do service providers deliver innovation through cloud transformation?** This includes how they provide quality assurance to deliver those outcomes.

Cloud native is more about people and culture than it is about capabilities

Containerization

Microservices

Apps modernization

SaaS platforms

Data transformation

Dynamic management

Cloud automation

Orchestration

Architectural principles

Cloud native mindset

Engineering (product) mindset

Operating model transformation

Business model transformation

DevOps/SRE culture

Continuous goals

Data driven

Change management

Ecosystem mindset

Cultural principles

Cloud native is engineering grounded in business objectives

Operating model transformation · Cloud native software development · Enterprise DevOps transformation · DevSecOps and digital trust · DataOps and analytics

Cloud platform build and migration

- Organizations are at different maturity levels with different trajectories on their journey toward cloud native. The supply side's standard reaction is to suggest "we have to meet customers where they are on their journey."

- Yet, all too often, that suggestion is a copout for not being willing to challenge customers on their goals and key assumptions. Without grounding their transformation in business objectives, capturing value remains tremendously challenging.

- Ultimately, cloud native transformation is about how we create and deliver, not where. Therefore, we need to drive the discussions back to data-driven outcomes and link those outcomes to business objectives. Thus, service providers must help clients work through the implications of cloud target operating models. Without envisioning new models, the cloud will remain a horizontal and largely infrastructure-centric play. The leaders are clearly articulating this vision and demonstrating successful transformations, while the challengers often remain focused on technology transformation and cloud migrations.

- For the avoidance of doubt, it is not about sequencing first operating model then technology transformation, but about putting business objectives at the heart of CNT.

- Against this background, we must drive the discussions back to outcomes and business objectives. Yet, we must shy away from simplistic suggestions of organizational change. No two cloud native transformations are the same; each is unique. Therefore, as page 11 outlines, regardless of where organizations are on their cloud journey, they need clarity on their data-driven strategy and the desired outcomes. Crucially, this must be underpinned by a new cloud target operating model. Retrofitting cloud innovation into existing operating models will fail to capture value. The technology transformation needs to support these objectives, not the other way around.

Excerpt for HCLTech

Journey toward cloud native transformation

Operating model transformation

Design your new operational workflows in the cloud, and progress toward a cross-functional mindset of leveraging data assets. Ultimately, cloud native is about how we create and deliver, not where.

DevOps/SRE culture

Enable your operational teams to collaborate seamlessly across organizational boundaries to continuously integrated and deliver software. Cloud native mandates a convergence of IT and business operations.

Cloud native transformation

Envisioning outcomes

Data-driven strategy

Pivot your strategy toward understanding and discovering the data you must have to win in your market

Technology transformation

Enable your operational teams to support the business objectives. Leverage composable reference architecture designs to scale on an industrial level. To succeed with that you need controls and FinOps, otherwise, you blindly migrate workloads.

Ecosystem mindset

Look beyond the walls of your organization to find new sources of value across the customer's life cycle. Invariably moving outside organizational boundaries increases operational complexity.

Excerpt for HCLTech

The goal for cloud native transformation should be operating model transformation

Operating model transformation

- Continuous goals
- Talent transformation
- Product-centric experimentation
- Velocity
- Data-centric strategy
- Time to value

Cloud native transformation

- Our discussions with stakeholders on the both the buy and sell side confirm there is no end state for cloud native transformation. This is a world of permanent change, and succeeding in it requires enabling a state of constant adaptability. Yet, organizations need a strategic mandate or even a North Star to communicate the change required to achieve the business objectives.

- To help envision and articulate the outcomes for cloud native transformation, HFS has identified six vectors to help shape those outcomes.

- Here is where many organizations struggle, both in terms of envisioning new outcomes and operationalizing them. All too often, we see infographics for cloud targeting operating models. Yet, each organization is unique, and one size does not fit all. Furthermore, there is a disconnect between aspiration and reality as the engineering and delivery teams too often have no clue about the business objectives.

- Executives at Accenture summarized the direction of travel for cloud native transformation aptly: "How do you take business objectives and apply technology objectives to get there? Cloud native is about transformation, yet achieving it remains elusive for many organizations."

The HFS cloud native foundation framework

Business model transformation — Business objectives — Continuous goals

FinOps

DataOps — Industrialized DevOps

Operating model transformation — DevSecOps digital trust — CI/CD pipeline automation — Autonomous teams

Cloud platforms build and migration — Cloud native software development — Product engineering

Technology transformation — Continuous learning

People – culture – processes

Cloud native operations

- There are many lessons learned during he research for this HFS Horizons Report. CNT has a complexity that is not easy to convey in client discussions. Yet, clients need more clarity on how to achieve value capture. While there is no end state for cloud transformation, they need a North Star to communicate across the organization to drive the cultural change necessary to accomplish CNT.

- The HFS Cloud Native Foundation framework is meant to guide those discussions by highlighting the complexity of transformation as well as outlining interdependency of the transformation building blocks.

- What we have learned from this study is that not many organizations have achieved business model transformation, apart from greenfield operations. Rather, transformation is still largely domain- or function-specific. This loops also back to HFS research showing that 22% of companies don't have an enterprise-wide strategy on cloud as yet.

- The most important reason for failing to capture value is that transformation has to be aligned to business objectives, otherwise organizations just blindly moving workloads. Yet, all too often, organizations focus on the technology transformation and consequently fail to capture value from their investments.

- Technology transformation must be aligned to those objectives. However, most providers focus on technology transformation. Opportunistically, this is understandable, given the addressable market. Yet, they must do more to help their clients capture value from their investments.

- With that in mind from the outset CNT must be industry specific. In spite of that the industry is still very early on the concept of industry clouds. While those should have an inherent ecosystem mindset, much of what we have seen so far are cloud enabled industry solutions.

- Leaders blend compelling thought leadership on CNT with a succinct articulation on business objectives and cloud target operating models. Technology capabilities are the enabler but not the strategy.

The seven pillars of cloud native operations

Data-driven outcomes — 1
Business centric solutions design — 2
Vertical convergence of IT and biz ops — 3
Business command centers — 4
Machine first mindset — 5
SRE/DevOps culture infuses biz ops — 6
Business assurance — 7

Data and cloud platforms

- **Operationalizing the shift toward cloud native** provides a new, enormous complexity to organizations. Yet, those challenges are more about changing people and culture than technology and capabilities. To succeed with their transformations, organizations must blend the constant curiosity of an engineering mindset with the collaboration of DevOps culture.

- To help more organizations finally capture value from their cloud investments, we need to drive the discussions back to business outcomes. Therefore, we have identified seven pillars (see the infographic) of cloud native OneOffice operations. We don't consider these topics a linear progression, but we aligned them to reflect the transformation life cycle.

- The biggest cultural shift is toward product mindset, where you no longer have clearly defined starting and endpoints of projects. Rather operations align with product lifecycles. The goals are no longer fixed, and the non-linearity of the process is inherent in cloud native operations.

- To measure progress and obtain the ability to act on insights in real-time, business command centers and dashboards become central to operationalize CNT. The big challenge is moving telemetry data from being tied to a domain to being reusable across the enterprise. It is here where the leaders stand out. They engage with a clear vision but also have the innovation to operationalize the transformation journey.

- As with the product mindset, innovation in software development around the concepts of SRE and DevOps is driving a fundamental cultural shift. The aspirations of continuous integration and continuous delivery (CI/CD) break with the linearity of workflows. Autonomous development and delivery teams are increasingly given continuous rather than fixed or linear goals to reflect the complexity of cloud native operations.

- Enabling this cultural change must become a boardroom priority for organizations to achieve their business objectives and ultimately capture value from their investments. Nobody cares about technology capabilities like Kubernetes in the boardroom. All they care about is how to unlock value. This must be the central theme for CNT. Identifying the business objectives and empowering the delivery teams to drive the technology transformation to achieve those.

2

Research methodology

Service providers covered in this report

accenture

Capgemini

Cognizant

Deloitte.

<epam>

EY

genpact

HCLTech

IBM

Infosys
Navigate your next

KPMG

LTI

Mphasis
The Next Applied

pwc

TCS
TATA CONSULTANCY SERVICES

Tech Mahindra

UST

virtusa

wipro

zensar

Note: All service providers are listed alphabetically

Sources of data

This report relied on myriad data sources to support our methodology and help HFS obtain a well-rounded perspective on the cloud native transformation capabilities of the providers covered in our study. Sources are as follows:

RFIs and briefings

Each participating vendor completed a detailed **RFI**.

HFS conducted **briefings** with executives from each vendor.

Reference checks

We conducted reference checks with **37 active clients** of the study participants via phone-based interviews and detailed surveys.

HFS vendor ratings

Each year, HFS fields multiple demand-side surveys in which we include detailed vendor rating questions. For this study, we leveraged our fresh from the field HFS Pulse Study data featuring **~800 inputs into adoption of cloud**

Other data sources

Public information such as press releases, web sites, etc.

Ongoing interactions, briefings, virtual events, etc., with in-scope vendors and their clients and partners.

Assessment methodology

The **HFS Cloud-Native Horizons** research evaluates the capabilities of providers across a range of dimensions to understand the *Why, What, How, and So What* of their Cloud-native services offering. Details include:

Assessment dimension (Weighting)		Distinguishing service providers characteristics		
		Horizon 1 – Technology Transformation	*Horizon 2* – Business Transformation	*Horizon 3* – Cloud Native Transformation
Value proposition: The Why? (25%)	• Strategy and roadmap • Clarity of vision for cloud services and nature of outcomes • Envisioning outcomes	• Ability to deliver **technology transformation** with deep engineering capabilities driving speed and efficiency	• Horizon 1+ • Ability to drive real **business outcomes and stakeholder experience** whilst achieving functional transformation	• Horizon 2+ • Ability to drive **"OneEcosystem"** approach by finding completely new sources of value
Innovation capabilities: The What? (25%)	• Breadth and depth of services across the value chain • Strength of talent pool • Cloud native technology innovation	• Effective technology advisory capabilities • Offshore-focused with strong technical skills and partnerships with 1-2 hyperscalers	• Horizon 1+ • Ability to support clients on their end-to-end cloud native transformation journey • Global capabilities with strong consulting skills and partnerships with all major hyperscalers	• Horizon 2+ • Strategy and execution capabilities at scale • Well-rounded capabilities across all value creation levers: talent, domain, technology, data, and change
Go-to-market strategy: The How? (25%)	• Nature of investments (M&A, R&D) • Ability to operationalize cloud-native • Assuring outcomes	• Robust fundamentals of cloud native transformation • Technology and capability focus	• Horizon 1+ • Proven and leading-edge proprietary assets including industry clouds • Clear articulation of cloud target operating mode	• Horizon 2+ • Driving co-creation with clients and ecosystem partner • Effectively envisioning of outcomes and providing business assurance for cloud native transformation
Market impact: The So What? (25%)	• Scale and growth of cloud native services • Demonstrable client case studies • Voice of the Customer	• Referenceable and satisfied clients for ability to execute technology transformation	• Horizon 1+ • Referenceable and satisfied clients for ability to drive business transformation	• Horizon 2+ • Referenceable and satisfied clients driving new business models based on the partnership

3

Demographics and market dynamics

Participant demographics (page 1 of 2)

Revenue of cloud services related to cloud native transformation by industry

Industry	
Banking and financial services	22%
Retail and consumer goods	13%
Manufacturing and logistics	13%
Energy and utilities	10%
Communications and media	10%
Insurance	8%
Technology	8%
Public sector	6%
Life sciences	6%
Healthcare	5%
Travel and hospitality	4%
Others	3%

Sample: 15 service providers. Sample numbers varies based on the inputs
Source: HFS Research, 2022

Revenue of cloud services related to cloud native transformation by company size

Company size	
Less than $500M	5%
Between $500M and $1B	5%
Between $1B and $3B	11%
Between $3B and $5B	14%
Between $5B and $10B	24%
Greater than $10B	41%

Sample: 14 service providers. Sample numbers varies based on the inputs
Source: HFS Research, 2022

Excerpt for HCLTech

Participant demographics (page 2 of 2)

Revenue of cloud services related to cloud native transformation by geography

Geography	Percentage
North America	52%
Europe	12%
UK	11%
Asia (excluding China and India)	8%
ANZ	6%
India	3%
Africa	2%
China	2%
Middle East	2%
Latin America	2%

Sample: 15 service providers. Sample numbers varies based on the inputs
Source: HFS Research, 2022

FTE distribution leveraged in delivering cloud services

- Offshore talent: 66%
- Nearshore: 16%
- Onshore talent: 18%

Sample: 14 service providers. Sample numbers varies based on the inputs
Source: HFS Research, 2022

Client reference demographics

Client references by industry sector

Industry	Percentage
Banking, financial services, and insurance	30%
Energy and utilities	13%
Retail	10%
Telecom	8%
Tech	8%
Automotive	5%
Others*	26%

Others*: Consumer durables and electronics, healthcare, airlines, pharma, sports, manufacturing, professional services, paper, pulp and timber, steel, travel
N = 40, number of client references
Sample: 13 service providers
Source: HFS Research, 2022

Client references by revenue size

Revenue size	Percentage
Less than $500M	
Between $500M and $1B	15%
Between $1B and $3B	9%
Between $3B and $5B	9%
Between $5B and $10B	15%
Greater than $10B	52%

Organizational alignment of client references

- IT: 71%
- Business: 29%

Sample: 37 client references
Source: HFS Research, 2022

Contracting for CNT requires a consultative approach

What pricing models do you use for cloud native transformation engagements?

Pie chart showing:
- Pure input-based (FTE, T&M): 48%
- Pure output-based (transaction pricing): 15%
- Pure outcome based (gain sharing): 7%
- Hybrid 1 (combination of input and output pricing): 11%
- Hybrid 2 (combination of input and outcome pricing): 9%
- Hybrid 3 (combination of input, output, and outcome pricing): 6%
- Other: 4%

Sample: n = 14 cloud native transformation service providers
Other = fixed price
Source: HFS Research, 2022

- The findings that 47% of CNT contracts are full-time equivalent (FTE) and time and materials (T&M) based might appear counterintuitive to the very nature of transformation. Suffice it to say one could flip the argument by stating that over 50% of contracts applied some level of success-based pricing. Yet, the portion of FTE and T&M points to the consultative nature of CNT engagements.

- This can be seen by the fact that the average total contract value (TCV) for CNT is between $1 and $2 million. The scope tends to be defining business objectives, the business case, and stakeholder management. Technology transformation then gets applied to those business objectives. And here the TCV can easily reach double-digit millions, and pricing models vary from the broader CNT remit.

- The overall feedback is that client maturity around contracting especially for more innovative models is still very low.

- Where CNT extends to broader technology transformation, the evolving pricing models include:
  - Sprint-based pricing
  - Pay-as-you grow (slab-based pricing, alignment to growth etc.)
  - Catalog-based model gaining traction (price per work unit, fixed efforts and scope per unit)
  - Bundling of cloud or technology licensing costs in deals
  - Zero-cost migration, providers invest proactively at the initial stage. After achieving the agreed outcome and/or savings, providers get paid.

State of cloud native transformation (page 1 of 3)

- The feedback coming back from our research is sobering. "Half of cloud transformations are abject failures," as the cloud engineering leader of one of the Big 4 bluntly puts it. Too many businesses start their cloud journey with infrastructure and cost focus and become disillusioned when costs explode. Then they look around for someone to blame for not having the right governance in place. Our discussions with stakeholders reveal that achieving business value requires a new perspective on cloud native and the complexity of operationalizing it.

- Cloud should inherently be about transformation. That should be the North Star. But what is and how do organizations get to the value state? Only after having addressed that should building the future state architecture really come to the fore. CNT is all about engineering, but it must be grounded in business objectives.

- Just investing in cloud native technologies does not lead to transformation by itself. Neither does migrating workloads without a clear strategy. Organizations might access information from anywhere and reduce maintenance costs for some applications, but transformation requires a different and holistic approach to capture value.

- The business objectives must get intrinsically aligned to defining the cloud target operating model. However, no operating model is alike as objectives for each organizations differ. There are composable elements, but there is no such thing as *the* cloud target operating model. And unsurprisingly, governance is one of the central elements of those models.

- Executives at KPMG outline the implications of the operating model discussions. "One of the biggest hurdles in CN transformation is that customers bring their legacy operating model (people, process, technology) to the cloud. Cloud demands a major step change in ways of working and requires an agile, market-speed model. This includes DevSecOps practices, a shift to product mindset, agile delivery, and a culture of innovation and continuous learning."

Excerpt for HCLTech

State of cloud native transformation (page 2 of 3)

- In almost all of our discussions with the supply side we heard, "We have to meet our customers where they are on their transformation journey." Suffice it to say providers must work around the requirements set by their customers. But they also have the capabilities and willingness to push back on those requirements if they are not aligned to business objectives. Without tying technology transformation to business objectives, more transformations will end in failure as value won't be captured. Here is where the discussions in the industry must change.

- Yet, there is a fundamental disconnect in the way the industry is discussing organizations moving toward the cloud. The supply side is evangelizing technology and capabilities with containerization and Kubernetes being the focal point for that marketing noise. Conversely, the buy side is struggling to capture the value of their cloud investments, as very few clients have a well-defined cloud transformation strategy at an organizational level, which can lead to transformations done in silos.

- An executive at Cognizant crystalized the state of cloud transformation as bluntly as putting the finger in many wounds: "I have yet to meet a board level director who gives a single damn about Kubernetes. Nobody cares about Kubernetes in the boardroom. All they care about is how to unlock value. We lead with listening and understanding where the true North is and then we build the roadmap." Yet, many organizations and providers focus on technology capabilities and technology transformation without defining and addressing the business objectives.

- A prudent starting point for that is looking at the main challenges for organizations on their transformation journey. Our discussions pointed to:

    - Lack of a cloud transformation strategy

    - War for cloud and transformation talent

    - Attempts to retrofit cloud into traditional operating models

    - Navigating the increased operational complexity, including interdependencies and interoperability

    - Shifting the culture, mindset as well as talent upskilling

- This summary also reinforces our approach to ranking the providers. The central issue is how providers help organizations envision the outcomes so that they will be able to capture value from their investments. Operationalizing the journey toward becoming cloud native requires new approaches such as industrializing DevOps and SRE, leveraging AIOps and observability, and providers assuring customers they will deliver the desired outcomes.

- During the research for this project, we saw many examples of cloud migrations that did not align with the scope of this project; that tells a story about how certain providers approach the topic. But we have seen equally strong examples for cloud operating model and business model transformation. We set out to learn the lessons from these successful transformations. HFS is anxious to build on the lessons and engage with all relevant stakeholders to change the discussions on cloud transformation!!

4

Horizons results: Cloud native transformation, 2022

HFS Horizons cloud native transformation—summary of providers assessed in this report

Providers (alphabetical order)	HFS point of view
Accenture	Blending expansive industry solutions with strategic transformation capabilities
Capgemini	Driving cultural change with clear differentiation around Intelligent Industry
Cognizant	Building on strength in application modernization to drive industry-led transformation
Deloitte	Facilitating transformation at the intersection of cloud target operating model design and deep engineering talent
EPAM	Harnessing digital engineering DNA from pioneering work for Google and SAP to move up value chain
EY	Transforming its traditional core business with cloud native principles
Genpact	Blending operational excellence with focused domain specific investments
HCLTech	Engineering heritage excelling in technology transformation
IBM	Driving transformation with hybrid cloud assets and differentiating M&A investments
Infosys	Data-centric approach with proven end-to-end transformation track record

Providers (alphabetical order)	HFS point of view
KPMG	Building on deep relationships with a broader set of stakeholders with strong emphasis on envisioning transformation
LTI	Blending governance and the assurance of business outcomes
Mphasis	Industry-led platform focus to execute cloud target operating model
PWC	Extending strategy consulting and excelling at domain-rich business transformation
TCS	Execution powerhouse harnessing a vast repository of IP
Tech Mahindra	Expansive technology transformation footprint excelling in operationalizing CNT
UST	Differentiating clarity in envisioning and assuring outcomes
Virtusa	Vertical entrenchment around technology transformation
Wipro	Driving business outcomes, trying to carve out positioning as ecosystem orchestrator
Zensar	Expanding technology transformation through design thinking

Excerpt for HCLTech

HFS Horizons – Cloud Native Transformation

Horizon 3 – Cloud Native Transformation providers demonstrate

- Horizon 2 +
- Ability to drive "OneEcosystem" approach by finding completely new sources of value
- Compelling thought leadership that helps clients to articulate their North Star
- Effectively envisioning of outcomes and providing business assurance for cloud native transformation
- Well-rounded capabilities across all value creation levers: culture, talent, domain, technology, data, and change
- Driving co-creation with clients and ecosystem partner
- Referenceable and satisfied clients driving new business models based on the partnership

Horizon 2 – Business Transformation providers demonstrate

- Horizon 1 +
- Ability to drive real business outcomes and stakeholder experience whilst achieving functional transformation
- Clear articulation of cloud target operating model
- Global capabilities with strong consulting skills and partnerships with all major hyperscalers
- Proven and leading-edge proprietary assets including industry clouds
- Referenceable and satisfied clients for ability to blend technology and business objectives.

Horizon 1 – Technology Transformation providers demonstrate

- Ability to deliver technology transformation
- Deep engineering capabilities driving speed and efficiency
- Effective technology advisory capabilities
- Offshore-focused with strong technical skills and partnerships with 1-2 hyperscalers
- Robust fundamentals of cloud native transformation
- Referenceable and satisfied clients for ability to execute technology transformation

Note: All service providers within a "Horizon" are listed alphabetically

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HCLTech profile:
Cloud Native Transformation, 2022

HCLTech: Engineering heritage excelling in technology transformation

Horizon 3 – Cloud Native Transformation

HCLTech

Horizon 2 – Business Transformation

Horizon 1 – Technology Transformation

Strengths

- **Strategy and assets:** HCLTech's cloud strategy is branded as #CloudSMART, comprising transformative solutions and a set of principles including sustainability and challenging clients in their assumptions on cloud transformation. #CloudSMART is meant to enable the right fit innovation through a combination of industry-led solutions, emerging technologies, frameworks, partnerships, labs, and a design thinking-led approach.
- **SmartWays as cornerstone for cloud transformation:** HCLTech has three clusters for cloud transformation: SmartWays to, in, and for cloud the transformation. The CNT is focused on SmartWay for cloud with business case, operating model and governance capabilities. It is HCLTech's conviction that business and technology transformation are not sequential events. Rather, the communication of business objectives to product and platform teams is part of cultural change, with effective communication being the key lever.
- **Innovation pedigree:** HCLTech's strongest assets are its innovation pedigree and execution capability. It is demonstrating a focus on continuous operations, with a strong emphasis on observability and FinOps, which often is just addressed as an afterthought by customers. Its Business Observability solution is an example for bringing IT and business operations closer together. Thus, it is about it is about operationalizing the OneOffice and overcoming silos. The company is highlighting those skills in immersive Cloud Native Labs.
- **Client kudos:** Some clients praise HCLTech for its approach to talent. They call out that HCLTech excels in mobilizing team with excellent expertise at exceptional speed. Furthermore, they reference a strong focus on customer satisfaction that delivers on HCLTech's tagline promise of going "beyond the contract."

Development opportunities

- **What we'd like to see more of:** Amplify the business transformation discussions. Therefore, elevate your SmartWays for cloud offering. While HCLTech rightly is acknowledging that for many customers the business objectives are lost in translation for the delivery teams, focusing on outcomes rather than technology would help clients to capture value more effectively. Thus, those outcomes (including industry clouds) should be articulated more succinctly and prominently.
- **What we'd like to see less of:** Technology innovation is at the heart of HCLTech. However, the company should balance products and capabilities with a more nuanced articulation of their vision of cloud native transformation. There appears to be a multitude of relevant frameworks (including Fenix 2.0) that would benefit from clearer narratives.
- **Customer feedback:** Some clients encourage HCLTech to do more on cost visibility and optimization.

CNT acquisitions and partnerships

Key acquisitions
- 2019: Strong Bridge Envision
- 2020: Cisco's Self Optimizing Network (SON) technology, DWS Group
- 2021: Starschema, Gesellschaft für Banksysteme GmbH
- 2022: Confinale, Quest Informatics

Key partnerships
- AWS, Microsoft Azure, GCP, IBM, Dell and VMware, Oracle, Cloud Native Computing Foundation, FinOps Foundation, Salesforce, Adobe, ServiceNow, Cisco, Intel

Key clients

CNT clients: 700+

Key clients
- British multinational consumer goods company, federation of United States health insurance companies, American multinational pizza restaurant chain, American multinational conglomerate holding company, leading Asian bank, European multinational bank, American multinational automotive company, Fortune 500 American manufacturer of industrial tools, American retail manufacturer, American healthcare organization, Finnish forest industry company

Operations

Cloud services headcount: 65,000+
Cloud native transformation headcount: 34,500+
Certified headcount: 34,500+

Delivery and innovation resources
- 220+ in the Americas, Europe, APME, and rest of the world. 60+ global innovation labs. 100+ engineering labs. 20+ centers of excellence (CoEs)

Geographic delivery spread
- North America: 51%
- LATAM: 1%
- UK: 13%
- EMEA: 23%
- India: --
- Other APAC: 11%

Flagship IP and solutions

- **HCL DRYiCE:** With more than 40+ integrated modules featuring latest autonomics technologies such as machine learning, cognitive, and natural language processing, predictive analytics, and artificial intelligence, DRYiCE enables the enterprise IT to be agile and efficient, bring self-service, dynamic provisioning, and proactive monitoring and management at the core of cloud infrastructure.
- **HCL MyXa FinOps:** An in-house multi-cloud FinOps platform. Provides cost optimization capabilities through a wide range of performance monitoring and reporting features that reduces the reliance on manual effort, standardizes output, and enables proactive decision making.
- **Advantage Suite:** HCLTech's Advantage suite of platforms are developer-productivity improvement platforms. These platforms take design time artifacts and generate code, CI/CD pipelines, and monitoring related scaffolding.
- **MyCloud:** Proactive multi-cloud life cycle management product that empowers organizations to optimally govern, provision, monitor, and manage cloud infrastructure.
- **Cloud Bridge:** The suite provides a range of options, solutions, and expertise, custom-made to align with an organization's unique transformation journey to the cloud.

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Tom Reuner is an Executive Research Leader at HFS. Tom is responsible for managing the HFS IT Services practice with coverage areas including cloud native, application modernization, and quality assurance. Furthermore, Tom covers the emerging ecosystems of ServiceNow, Salesforce, and Pega. Leveraging his long entrenchment in the automation community, Tom drives HFS' thought leadership on automation. A central theme of his research is the orchestration and increasing interdependency of approaches such as RPA, AIOps, Observability, and AI. He is also managing the Top 10/Horizons program to ascertain consistency and thought-leadership.

Prior to HFS, Tom worked as Head of Strategy at Arago. His deep understanding of the market dynamics comes from having held senior positions at analyst firms including Gartner, IDC, and Ovum where his responsibilities ranged from research and consulting to business development.

Martin Gabriel is an Associate Practice Leader at HFS, covering IT services, including the cloud, application modernization, and workplace services. Additionally, Martin covers the workflow platform ServiceNow and ERP Software SAP in detail. He also tracks and manages global outsourcing contracts in the IT/BPO services space and M&A activities.

Martin has over 13 years of research, analytics, and market intelligence experience. In his TCS role, he worked on point-of-sale and consumer panel data and on analytical projects, providing business insights to clients. He was responsible for analysing retailer and consumer behaviour for various FMCG/CPG/Liquor products to address diverse business issues and provide actionable recommendations for future growth for clients. He performed extensive category reviews, brand management, and trend analysis based on the point of sale and home scan data, along with information from secondary sources. At Xchanging (acquired by DXC), he was part of the market intelligence team that supports Xchanging's vertical heads, strategy team, and sales and marketing team.

Excerpt for HCLTech

About HFS
Insight. Inspiration. Impact.

HFS is a unique analyst organization that combines deep visionary expertise with rapid demand-side analysis of the Global 2000. Its outlook for the future is admired across the global technology and business operations industries. Its analysts are respected for their no-nonsense insights based on demand-side data and engagements with industry practitioners.

HFS Research introduced the world to terms such as "RPA" (Robotic Process Automation) in 2012 and more recently, Digital OneOffice™ and OneEcosystem™. The HFS mission is to provide visionary insight into the major innovations impacting business operations such as Automation and Process Intelligence, Blockchain, the Metaverse and Web3. HFS has deep business practices across all key industries, IT and business services, sustainability and engineering.

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