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Digital Transformation and Strategy: Getting it Right

Digital transformation is not just a buzz-word, it’s the reality for service providers today. Despite this, Almost 70% of respondents believe that service providers will struggle to implement digital transformation projects at a satisfactory pace despite of the fact that this industry possesses strong technology capabilities (IDC research).

To gain greater insight into what is driving digital transformation in our industry, Amdocs commissioned IDC to examine the views of senior decision makers at leading service providers from all regions. Respondents came from both the business side of the business and from IT. Almost 50% of respondent are C-level executives.

Almost half (46%) of C-level and other service provider decision makers predict it will take their companies > than 5 years to transform. This is not fast enough according to 59% of respondents who believe telecoms will be outpaced by other industries.

One of the most helpful ways (according to 62% of respondents) to drive this anticipated transformation is by having a clear, cross-organization digital strategy. However, almost half (46%) of service providers don’t have a clear a digital transformation strategy in place.

These senior leaders were asked about:

• The meaning of digital transformation for service providers
• The way service providers prioritize the different aspects of digital transformation
• The most critical capabilities that service providers need in order to become digital organizations
• How far have service providers advanced in their quest to achieve digital transformation

The results provide key insights into service providers’ views regarding digital strategy development, as well as its prevalence, importance and drivers. One of the most important findings was that the majority of industry leaders see having a clear, cross-organizational strategy as an important aspect of digital transformation – and the lack of it as a barrier to its achievement. Moreover, it found that such strategy is influenced by business goals and the technology roadmap.

This is the first in the Amdocs Digital Conversation series, in which we explore the issues around digital transformation, with each content piece addressing a different aspect of the research.

“70% of respondents believe that service providers will struggle to implement digital transformation projects at a satisfactory”
The Importance of Digital Strategy

“Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.”
Sun Tsu, Chinese general, military strategist, and philosopher (5th century BC).

It has long been consensus that strategy should be the foundation of any business initiative. But while this is still the case for many cross-organizational decisions, is it also true for digital?

According to the IDC survey, 62% of respondents believe that setting a clear company digital vision and strategy is either important or very important.

Moreover, 74% of respondents said their organization already has or plans to develop a strategy within the next 12 months.

Perhaps surprisingly, the answers for this question varies when you look at the answers of business leaders vs. those of IT leaders: While 61% of business leaders say their company has a strategy in place, only 39% of IT leaders agree with this statement. What this may mean is that some organizations that have digital strategies failed to communicate these strategies across the organization or tie them into all digital initiatives.

“74% of respondents said their organization already has or plans to develop a strategy within the next 12 months.”
In fact, even though only about half (54%) of service providers have a current digital strategy in place, digital activities have already been underway for some time: Respondents’ own assessments of their organizations’ maturity level; i.e., the highest level the organization had reached in driving digital capabilities clearly show this: over 70% of the digital transformation projects are executing as standalone initiatives that are not tied to a larger strategic roadmap.

On the following five-point scale, which option best describes the highest level your company has reached in driving new digital capabilities?

- Pilot projects to trial areas where the business case is not yet proven: 4%
- Each project is the result of seizing an opportunity to improve a specific area: 26%
- All projects follow a set of repeatable processes: 49%
- Every project ties into larger technology roadmap: 11%
- Every project ties into both technology roadmap and business strategy: 10%

Stand-alone

So while service providers know it is possible to pursue such initiatives without a digital strategy, they recognize that a holistic plan is necessary in order to align their various current initiatives and achieve the maximum ROI from their existing digital investments: 78% of senior communications leaders felt that the absence of any digital strategy would eventually have a detrimental effect on the success of their digital transformation.

How will a lack of strategy affect digital transformation?

- Derail/Stop: 43%
- Slow down: 35%
- No obstacle: 21%
- Don’t know: 1%

0% 5% 10% 15% 20% 25% 30% 35% 40% 45% 50%
Crafting a Strategy: Drivers and Leaders

86% of respondents saying that alignment with internal business goals was a consideration as part of developing a digital strategy. A good digital transformation strategy needs to drive business results – whether it’s revenue growth, cost reductions and improved customer satisfaction. This was supported by the survey results, with:

Influencers of digital transformation strategy

- **Alignment with internal business goals**: 86%
- **Alignment with technology functions & roadmap**: 82%
- **Alignment with consumer needs**: 73%
- **Collaboration with third-party partners/vendors**: 23%

“78% of senior communications leaders felt that the absence of any digital strategy would eventually have a detrimental effect on the success of their digital transformation.”
Crafting a Strategy: Drivers and Leaders

When asked to rate the importance of various factors in driving digital transformation, the highest score was given to the availability of the right skills to create the digital strategy. A close second was the availability of the right skills to implement this strategy.

To what extent will these factors help your digital transformation?

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<th>Factor</th>
<th>Mean Score</th>
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<tr>
<td>Availability of the right skills to create the digital strategy</td>
<td>3.36</td>
</tr>
<tr>
<td>Availability of the right skills to design and implement the changes required</td>
<td>3.33</td>
</tr>
<tr>
<td>Use of customer experience as a design principle for product/service development</td>
<td>3.20</td>
</tr>
<tr>
<td>Executive leadership support through tough and good times</td>
<td>3.12</td>
</tr>
<tr>
<td>Visibility of transformation impact on business KPIs</td>
<td>3.10</td>
</tr>
<tr>
<td>Greater cross-unit functionality and collaboration</td>
<td>3.04</td>
</tr>
<tr>
<td>Having the right levels of financial capital and resources to start and execute the strategy</td>
<td>2.98</td>
</tr>
<tr>
<td>Visibility into the customer journey across channels</td>
<td>2.90</td>
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Perhaps in trying to address these success drivers, service providers express a need for a digital leader who will be responsible for crafting and ensuring delivery of the digital transformation strategy: the CDO. The research found that 89% of respondents said they either have or think they need a CDO. Despite this impressive number, only 28% of service providers actually have one.
Summary and Recommendations:

Some best practices to follow when undergoing a digital transformation:

- Having a clear cross-organizational strategy for digital transformation is key to its success. When crafting that strategy, it needs to tie to your organization’s business goals, as well as the technology roadmap.

- Attracting the right talent to craft the strategy and lead the implementation is key. Consider having a CDO, who will have the cross-organizational vision and the right skills to ensure implementation.

- Aiming to have all projects tie into a larger strategy will help you drive better results; communicating the strategy across the organization is key to having all teams on board.

- Whether your company has a CDO and a clear digital strategy or you are just beginning your journey into the digital world, a trusted partner who understands your business, industry, technologies and market can help you create and deliver a tangible strategy to become a digital business. 58% or respondents said IT partners are the most valuable to the execution of your digital transformation.

How can Amdocs Help?

We believe IT partners like Amdocs can also help you craft your strategy in a way that aligns with your business goals and technology roadmap.

**Amdocs Digital Services** helps service providers speed up their digital journey and drive it to success. This is achieved by developing a deep customer understanding, defining an engaging customer experience, designing the technical, organization, and network changes needed to deliver this experience, driving innovation as a core cultural value to ensure continued growth, and defining new business models for business agility to continually evolve your business to keep pace with market and customer demands.

**Amdocs Digital Services** delivers digital experience solutions to help you craft a tangible strategy specifically around digital channel transformation, and implement it by building customized web and mobile solutions. This is done by identifying, integrating and managing an ecosystem of best-of-breed partners, as well as with Amdocs IP tools and methodologies.

**Coming soon:**

- Survey results: Digital transformation – what does it mean for service providers?
- Survey results: Digital customer experience as a leading component of digital transformation
- Webinar: Digital customer experience
- And more from Amdocs Digital Services

“89% of respondents said they either have or think they need a Chief Digital Officer”
ABOUT AMDOCS

Amdocs is the market leader in customer experience software solutions and services for the world’s largest communications, entertainment and media service providers. For more than 30 years, Amdocs solutions, which include BSS, OSS, network control, optimization and network functions virtualization, coupled with professional and managed services, have accelerated business value for its customers by simplifying business complexity, reducing costs and delivering a world-class customer experience.

The Amdocs portfolio enables service providers to capture the world of digital immediacy by operating across digital dimensions to engage customers with personalized, omni-channel experiences; creating a diversified business to capture new revenue streams; becoming data empowered to make business and operational decisions based on insight-based and predictive analytics; and achieving service agility to accelerate the fast rollout of new technologies and hybrid network services.

Amdocs and its more than 24,000 employees serve customers in over 90 countries. Listed on the NASDAQ Global Select Market, Amdocs had revenue of $3.6 billion in fiscal 2015.

Amdocs: Embrace Challenge, Experience Success.

For more information, visit Amdocs at www.amdocs.com.