Thriving in the Age of Digital Disruption

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Constant digital disruption is the new normal. Uber and Lyft have upended the transportation and livery business. The financial services industry has been reshaped by the emergence of robo-advisors, online banks and nontraditional competitors like Apple Pay. The rise of cloud computing has shaken up the entire IT industry. And nearly every B2C business — from airlines to shoe stores — has been forced to transform into a technology company in order to provide a consistent omnichannel experience to its customers. It's hard to think of an industry that hasn't been impacted.

According to Deloitte's global 2018 survey of 1,116 CIOs and 321 CXOs,[1] it's clear IT leaders understand that adapting to this climate of constant disruption is critical: 96 percent identified digital as a critical strategic business priority. However, only 26 percent said their organizations actually have an enterprise-wide digital strategy in place — suggesting that those that are able to successfully adapt will have a significant opportunity to differentiate themselves from their competitors.

To thrive in this era of disruption, businesses need to understand and plan for the many challenges of digital transformation. In this ebook, we'll explore these key areas:

• Balancing optimization with innovation

• Meeting rising customer expectations

• Finding the skills and time to innovate

• Maintaining compliance in a shifting landscape

• Investing intelligently in emerging tech

The organizations that have a plan for each of these key areas — a plan that makes the most of their strengths and positions in the marketplace — will not only survive the onslaught of change, but thrive because of it.

Balancing Optimization with Innovation

In our years working with businesses of all sizes and verticals here at Rackspace, we've found that IT shops tend to fall on a spectrum: at one extreme are Optimizers, who emphasize the need to forever maximize efficiencies and increasingly automate their current processes. And at the other extreme are Innovators, who prioritize the need to harness new tools and technologies to support the development of new services and capabilities.

Optimizers:	Innovators:
· Driven by bottom-up need for improved cost-efficiency and SLA delivery · Digital transformation aims to automate tedious backend processing · Focus on leveraging analytics and data lakes for business process management and increased customer insight	· Driven by top-down business mandate for digital transformation to improve agility and ability to innovate · Invest in technologies such as AI, blockchain and the Internet of Things as avenues to develop innovative new services · More aggressive in leveraging cloud computing, including emerging technologies like Kubernetes and serverless computing
Optimizer Example: Coinstar prioritizes the need to reduce costs and improve SLAs to support its strategy of aggressive international expansion.	**Innovator Example:** Aeroméxico overhauls its entire application ecosystem to deliver a seamless omnichannel experience that differentiates it from its competitors.

Trends Driving Urgency to Innovate
• Rising customer expectations for omnichannel experience
• Pressure to transform IT from cost center to revenue driver
• Faster pace of technological change
• Race to harness emerging technology (e.g., AI, IoT, Blockchain)
• Nontraditional sources of competition
• Inadequate responsiveness of traditional IT models

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It's important to understand where your business falls on this optimize-to-innovate spectrum. Where you land will depend on a range of factors: your unique history, culture, customer base, legacy challenges, technology preferences, resources and relative position in the marketplace. For example, if your customer base skews toward legacy customers who are less likely to take advantage of new apps or features, you might be better served by a strategy focused on optimizing your existing service delivery. On the other hand, if your company is newer and faces fewer legacy technology challenges, there might be an opportunity to create a competitive advantage by aggressively investing in cloud computing and other newer, more efficient operational models.

In the end, both Optimizers and Innovators face significant pressure to evolve. And in many industries and geographies, both struggle to attract the right technical talent and skillsets to help their organizations get from here to there. But only by truly understanding your organization and your customers can you make the right decisions to help elevate your business above the competition.

Exceeding Rising Customer Expectations

In 2018 — over a decade after the release of the first iPhone — most businesses understand that customers have come to expect the same kind of seamless, instantaneous experience that they get from services like Facebook and Amazon, regardless of what kind of business they're patronizing.

Of course, actually making this happen is easier said than done — especially for older, non-cloud-native businesses with complex legacy concerns.

Below are several considerations…

Continuous improvement and delivery — This is one of the most important aspects of your customer experience strategy. Engage in industry consortiums with your peers and directly with customers to collect feedback that will help you improve your existing services.

You are a customer — Put on your "customer" hat and consider how you want to be served. Mystery shop your own company and industry peers. Whether you're a B2C or B2B company, there is always something to be learned.

Know your customer — It's important to know your customer from a security perspective, but today's customers expect you to know them as individuals. Strategies should include utilizing existing and external data sources to personalize the customer experience automatically.

Internal cultural changes — These can be found in the ITIL, design thinking, DevOps and innovation centers of your local consulting shops. Encourage the development of new skills and think of new ways to keep the customer first.

Offload intelligently — Managed service providers, cloud providers and SaaS companies can help drive rapid replacement or co-existence with current investments. They can help you outsource infrastructure and shift your focus to innovating for the customer. Invest in infrastructure-as-code and leverage artificial intelligence and business process automation for error prone, time-consuming and easily repeatable tasks.

As complex as transformation can be, the outcome of true transformation is often worth the risk. Those businesses that are able to create channels of service that are equally outstanding online and in person have a decided advantage — they are primed to meet all generations of customers, from all walks of life, with all expectations.

Finding the Skills and Time to Innovate

For those organizations with self-managed infrastructures, IT teams need to focus on availability, resiliency and performance while still keeping their eyes on the horizon for evolving security concerns, new regulations and the latest developments in technology. Generally speaking, IT teams tend to be especially proud of their DIY builds. And rightfully so: they have to overcome some of the largest hurdles around scale, security and integration, often on bare-bones budgets.

However, in today's environment of disruption and relentless change, the inability to focus key technology resources on innovation can be fatal. The vast majority of businesses need a strategy that balances in-house talent with a mix of outsourcing and managed services in order to most efficiently juggle day-to-day operations against the need to evolve your business to meet increasing customer expectations.

Getting the Most out of Cloud Computing

For IT leaders pressured to continually increase returns on the investment of every dollar spent on IT, the benefits of cloud migration (whether public or private) cannot be overlooked. The accessibility of the cloud, with its nonexistent physical footprint, rapid deployment and provisioning models, unmatched scalability and the opportunity to shift from capex to opex, offer too much value to be ignored even by the most conservative IT shops — at least for certain workloads.

However, shifting from legacy IT into a cloud-ready world involves more than recreating your on-premises environments in the cloud. Many find that existing applications and services may not be well-suited for migration and need to be refactored or redesigned completely for hybrid deployment models. These models can leverage the best of cloud flexibility and combine it with the security and performance of traditional on-premises environments.

The Role of Managed Services

As organizations make the jump to a cloud-centric infrastructure strategy, they often find that their existing IT teams do not have the time, energy or skills to make optimal choices for re-platforming. Cloud migration strategies are complex, requiring deep dives on existing workloads and integrations, security assessments, compliance risks, and application rationalization and refactoring. Given the frenzied pace of market shifts and technological change, many teams have been frustrated to find that technologies in the market have often evolved and changed by the time they manage to get a comfortable benchmark and solution design in place.

Teams that get past this hurdle are then faced with choosing from an abundance of complex tooling, emerging risks and new compliance requirements before they can even begin to create a migration plan and perform the actual migration. Successfully navigating each of these barriers takes specialized skillsets, and these skills have to be reinvented in order for in-house IT operations teams to make sure everything continues to work and evolve to meet changing business demands. And mistakes along the way — from technology selection to migration to ongoing security — can be incredibly costly.

This is where managed service providers (MSPs) come in. MSPs can be an invaluable part of your team, managing your solution throughout its entire lifecycle, guiding you through innovations and helping you launch new products for your customers at the flip of a switch. For example, Rackspace invests in the training and skills development to become thought and technical leaders in our field, so its customers won't need to waste resources learning the intricacies of a tangential industry. Developing the right MSP strategy and finding the right partner to access

the right skills and experience at the right time is a critical part of any successful digital transformation plan.

Maintaining Security Amidst Disruption and Change

As we've discussed, businesses have no choice but to evolve their IT strategy if they want to survive in an era of massive change and disruption. However, the path to innovation, agility and digitization can also introduce serious risks related to cybersecurity and compliance, and it's critical for businesses to take these risks into account.

For example, an increasing customer demand for self-service capabilities and rapid improvements to web and mobile applications has generated the need for more agile development cycles. This is great for faster delivery, but expedited testing timelines and the potential for human error mean there are more opportunities to introduce flaws that can be exploited by hackers.

Additionally, impending regulatory oversight and third-party risk requirements mean each step must be carefully weighed against potential threats. A single misstep could cause irreparable harm to a company's reputation.

Accessibility versus breaches

End users want their data available anytime and anywhere. For example, chip cards, cell phone payments, wireless transactions and cryptocurrencies offer incredible new ways for consumers to more rapidly and seamlessly acquire goods, track wealth and exchange data; but these same mechanisms present new openings for the savvy hacker.

Businesses are expected to meet this demand for increased data accessibility while continuing to satisfy compliance standards and avoid exposing sensitive customer data to the constantly increasing threats of malicious breaches. After all, even with stringent security controls in place to combat existing threats, cyber criminals persist. Because wherever there is profit to be made, there will always be those looking for the quickest path to dollar signs, even if it means breaking the law.

Investing Intelligently in Emerging Tech

In the technology industry, there's always a shiny new object to chase. But even so, whether your business is more of an Optimizer or an Innovator, it's still critical to continually keep abreast of the latest trends and to understand how new tech may or may not be of use to your business. Here are a few key technologies with the staying power to remain relevant for years to come — and that should be considered by any IT leader as they plan for the future.

Containerization and Kubernetes

Many enterprise companies have massive legacy applications that are monolithic, cumbersome and often written by multiple departments and deployed in long waterfall lifecycles (spanning from months to years). These applications require large amounts of testing, collaboration and code quality assurance to ensure independently designed components do not break each other.

Code rewrites are impractical given the sheer size of these applications. However, customer demand necessitates that these organizations deliver new capabilities at cloud speed. And that's where containers and Kubernetes® come in. Kubernetes facilitates a containerized, microservices-based architecture approach, allowing you to shave
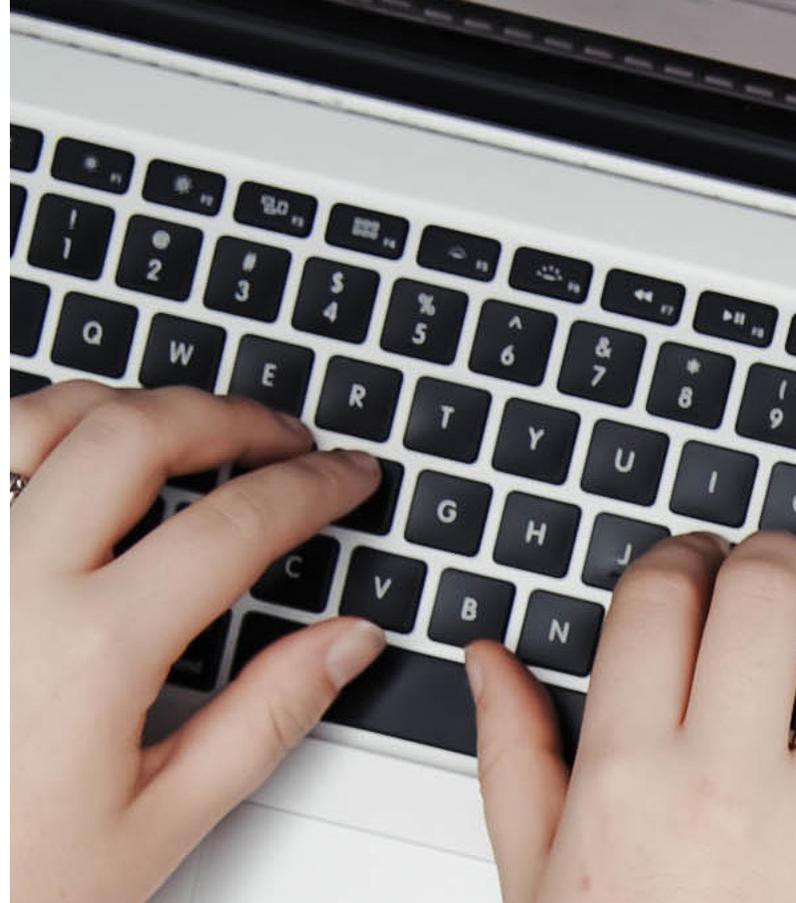
5 Tips to Safeguard Data While Transforming Your Business

1. Establish "Know Your Customer" initiatives to ensure that phishing scams, fraudulent account access and money laundering activities are recognized early and remediated.

2. Educate innovation teams on the vulnerabilities of their organization's code base, application development tools and platforms to ensure malware, hacking and breaches are prevented or detected and eliminated quickly. Every new solution must be designed with security built into its DNA.

3. Build strong third-party risk assessment programs with regular audits, periodic testing and stiff requirements for all ecosystem partners. PCI Compliance should be the minimum standard, not the ultimate goal.

4. Incorporate a dark web monitoring group into your security teams, responsible for surfing, learning, following and mitigating issues related to your company or industry. Consider investing in a dark web monitoring solution for your customer data.

5. Work with your managed services providers to ensure you understand where your data resides, how it's accessed and the encryption channels used between your on-premises and off-premises managed solutions.

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individual services off of complex, monolithic applications one at a time until, ultimately, you are able to fully rearchitect the entire application.

AI/Chat Bots

Many large companies — both B2C and B2B — are using AI in their first-touch customer interactions, from self-service offerings on the web to basic support chatbots. AI is also being leveraged to help better understand customers through social insights, linking of accounts and environment monitoring leading to increased cross-sell and upsell, customer confidence and conversion rates. Generally speaking, bots and AI interactions increase self-service, customer efficiency, and proactive actions and auditing.

Internet of Things

The Internet of Things (IoT) offers many opportunities to help legacy IT shops improve and optimize their data centers. IoT can help automate and proactively remediate issues in the data center — green initiatives to reduce power consumption, sensors that indicate drive failures or overheating, asset management through RFID type sensors, and security management (card and code access).

Using Disruption to Your Advantage

The bad news, as evidenced by the previously mentioned Deloitte report, is that most businesses are not prepared to innovate. The good news is that this presents an opportunity for businesses to differentiate themselves from their peers in the industry.

The key takeaways:

- Know thyself: to what extent are you an Optimizer or an Innovator?

- Always keep omnichannel and the customer experience top-of-mind

- Have a plan to access the right talent at the right time

- Understand the impact of evolution and change on your security strategy

- Keep on top of the newest technologies that will actually impact your business

The organizations that have a plan for each of these key areas are well placed to thrive in a market of intense change and disruption.

Taking the Next Step

Many businesses need help tackling the challenges of migrating to and leveraging cloud-based infrastructures, managing existing IT assets, evolving their microservices architectures, improving their DevOps agility and monetizing APIs — and they need to deliver all this while reducing IT expense.

For these businesses, a trusted digital transformation partner can be an important asset. At Rackspace, we provide customers with access to experts to help at every step along the way, from planning and migration, to security and operational support. We can get you to the cloud, help you optimize, and keep you current with ongoing adoption of emerging technologies.

Rackspace can help, visit our website:
www.rackspace.com

1. https://www2.deloitte.com/insights/us/en/topics/leadership/global-cio-survey.html

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About Rackspace

At Rackspace, we accelerate the value of the cloud during every phase of digital transformation. By managing apps, data, security and multiple clouds, we are the best choice to help customers get to the cloud, innovate with new technologies and maximize their IT investments. As a recognized Gartner Magic Quadrant leader, we are uniquely positioned to close the gap between the complex reality of today and the promise of tomorrow. Passionate about customer success, we provide unbiased expertise, based on proven results, across all the leading technologies. And across every interaction worldwide, we deliver Fanatical Experience™ — the best customer service experience in the industry. Rackspace has been honored by Fortune, Forbes, Glassdoor and others as one of the best places to work.

Learn more at www.rackspace.com or call us at 1-800-961-2888.