STKI Israeli IT Market Study & Trends 2023

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EVP @ STKI

IT Strategy

1

Value-based Technology Strategy
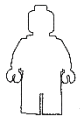and Organizational Transformation

YZKLESCNAG

"If I had to use one word to describe our strategy ..."

IT Strategy = Value = Change Mng

- We live in a world of products.
- The success of your company depends entirely on your product's quality
- Do your products provide value so that customers will choose to use them?

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After an Organization defines what **VALUE** it provides to which **CUSTOMERS**, the goal of an IT Strategy is to deliver it through **Technology- powered Product**

There is a profound difference between:

Value

HW, Disks, CPU

SaaS

Customer-centric, **Value-driven IT strategy** fully aligned with company vision & org. objectives

Tactical IT plan, more like a **grocery list** of how much HW to buy, and what licensing to handle

I RECOMMEND

WHY

- **Focus on Value only.** It doesn't matter if it costs more, or takes more time and from which budget section it comes from

- Cost-saving or meeting timelines don't predict success – only how good the company's products are and if your customers choose to buy or use your products

- Change the unwritten rule of separating a consulting company from an implementation company. Choose the **best and most experienced one**, without any limits

- Many times, leading implementation companies have the required consulting knowledge or leading consulting companies have leading practices for implementation
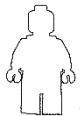
A Word to Strategy Consultants:

Strategy Consultancy = Change Management

Organizations struggle with the changes required of them (cloud, automation, DevOps, org. redesign, etc.), in order to become Value-based, Product-led, and Data-driven.

top-down

VALUE

OLD WAY
NEW WAY

These changes are Top-Down and they go way beyond the boundaries of IT.
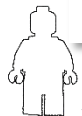- Start with senior management - If the leaders are not committed, don't even try

The only goal of strategic planning is the clear and measurable value of business technology to the company's goals
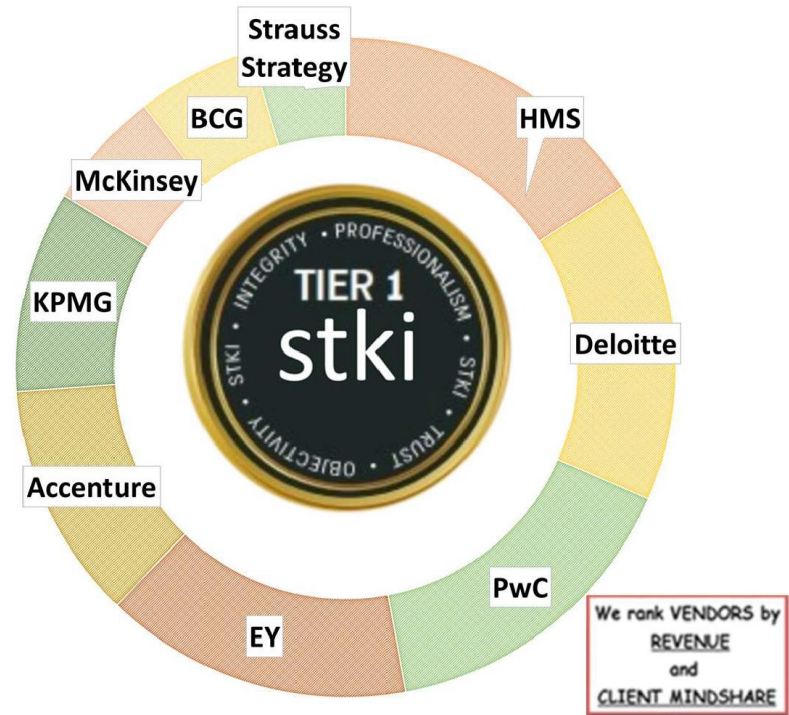- Strategic plan as a point solution no longer has a place

You must deal with outdated processes, such as budget mng, annual date-based Roadmap, and a dramatic change in KPIs
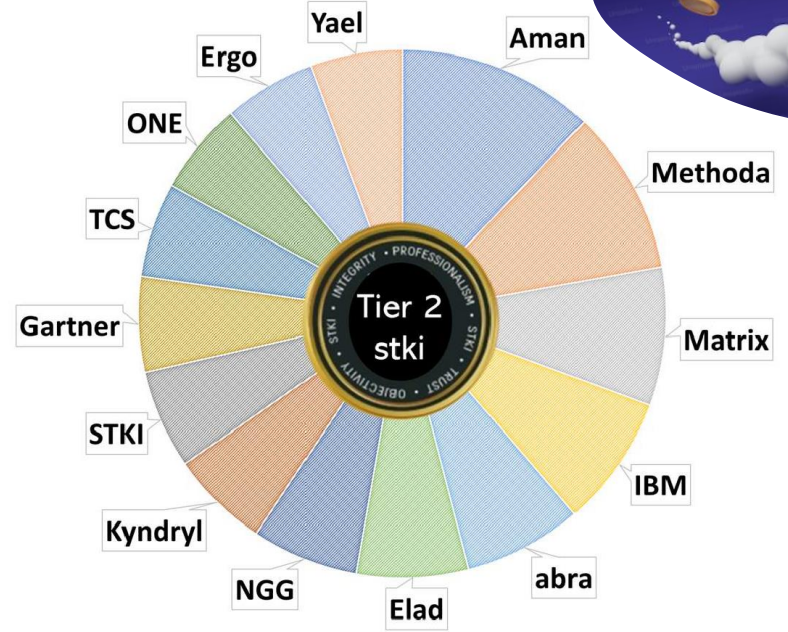- It's a change of tectonic plates, but it must be done already

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IT Strategy Consulting

value added services market

TIER 1 stki
INTEGRITY • PROFESSIONALISM • STKI • TRUST • OBJECTIVITY • STKI •

- Strauss Strategy
- HMS
- BCG
- McKinsey
- KPMG
- Accenture
- EY
- PwC
- Deloitte

We rank VENDORS by
REVENUE
and
CLIENT MINDSHARE

Tier 2 stki
INTEGRITY • PROFESSIONALISM • STKI • TRUST • OBJECTIVITY •

- Yael
- Ergo
- Aman
- ONE
- Methoda
- TCS
- Gartner
- Matrix
- STKI
- IBM
- Kyndryl
- abra
- NGG
- Elad

+ Tier 3

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Organizational Transformation Consulting
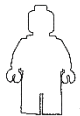
I Recommend

Make sure that your strategic plan necessarily changes the operational model and organizational structure

Why

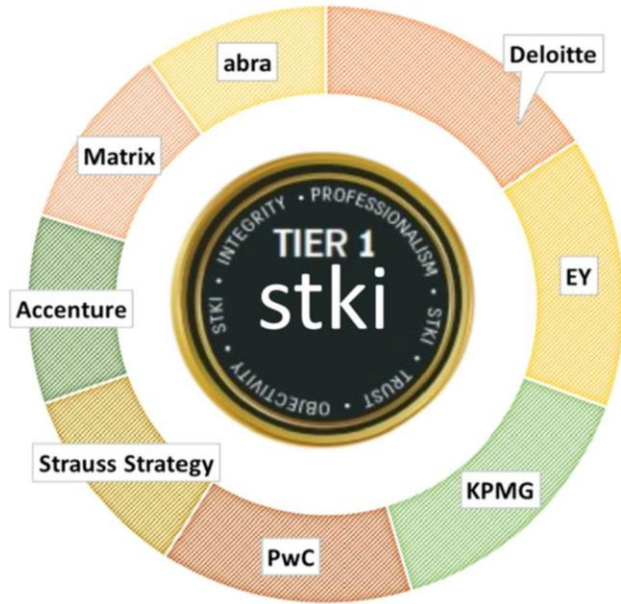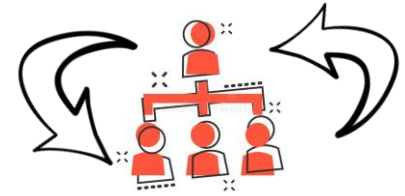*"Because complex problems can only be addressed by complex structures."*

The world where there are people who only think and there are people who only do is over – it's a unified, customer-centric, multi-disciplined effort
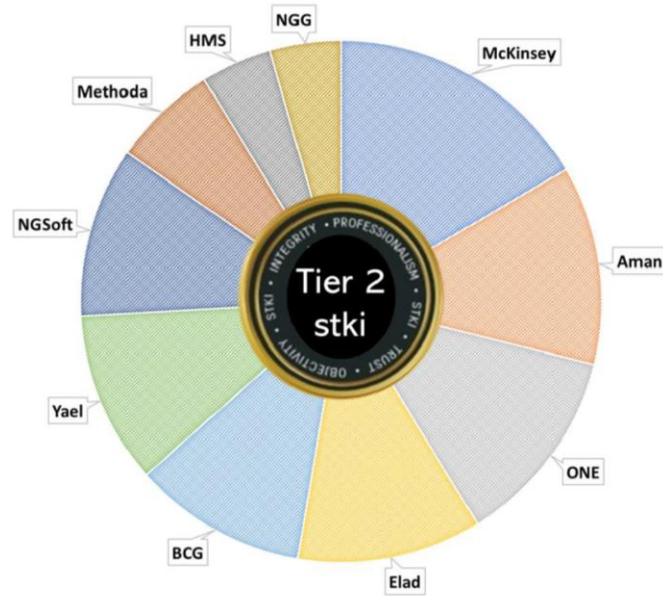
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Organizational Transformation Consulting

Tier 1 stki: abra, Deloitte, EY, KPMG, PwC, Strauss Strategy, Accenture, Matrix

We rank VENDORS by REVENUE and CLIENT MINDSHARE

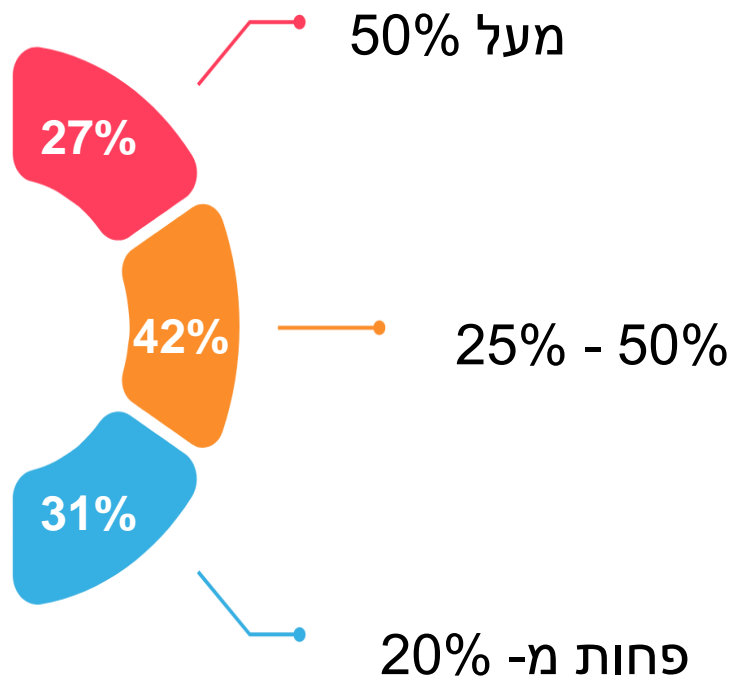Tier 2 stki: NGG, HMS, Methoda, NGSoft, Yael, BCG, Elad, ONE, Aman, McKinsey

+ Tier 3

2

From Project to Product

Tech products people love and PPM tools

מהו אחוז פיתוחי הדיגיטל מתוך כלל הפיתוחים?

27%

42%

31%

מעל 50%

25% - 50%

פחות מ- 20%

Today **~70%** of all dev **is digital dev**.

There is a fundamental difference between customers' applications that are developed as a **product** and those that are developed as a **project**

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From the Customer's Point of View

What does this mean for the organization?

Continuous Value for me

Customer-Focused Design

Continuously improved and updated over time

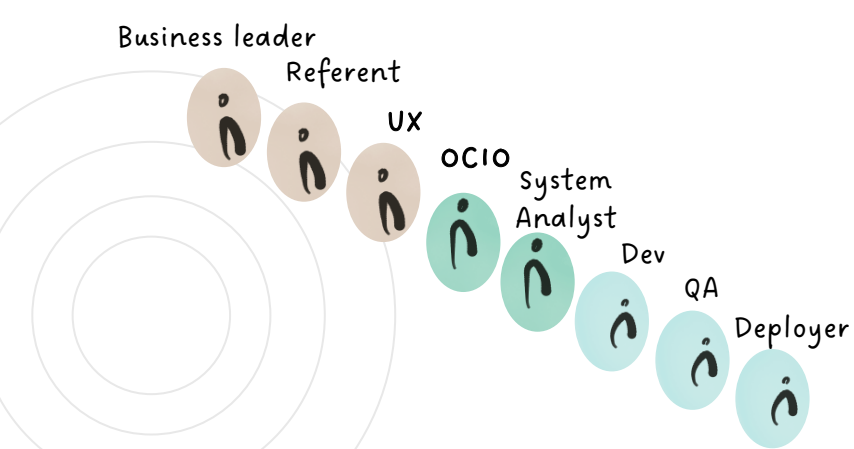Dedicated, constant, accountable product team, led by Product Mngr

Product discovery based on 30 customers interviews by the product team

The same team is responsible for the entire Product Lifecycle, product discovery, delivery & maintenance
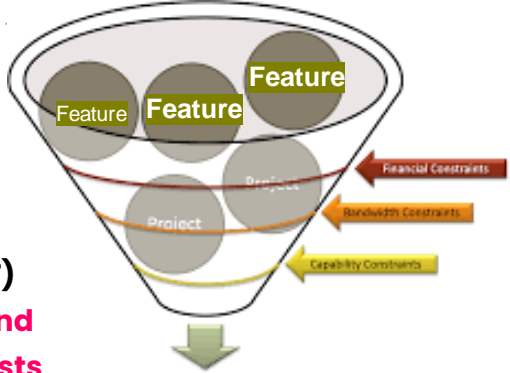
Customers want product

Orgs must work differently to build products customers love
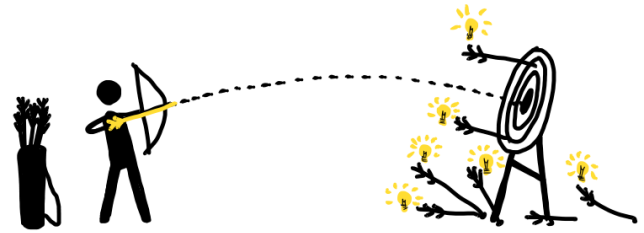
Project-based technology discovery VS **Product-based technology discovery**

Labels on figures: Business leader, Referent, UX, OCIO, System Analyst, Dev, QA, Deployer

VALUE CREATION STRUCTURE

Feature, Feature, **Feature**

Financial Constraints
Bandwidth Constraints
Capability Constraints

Project, Project

Feature-driven process (OUTPUT) driven by **Sales and Business specialists**
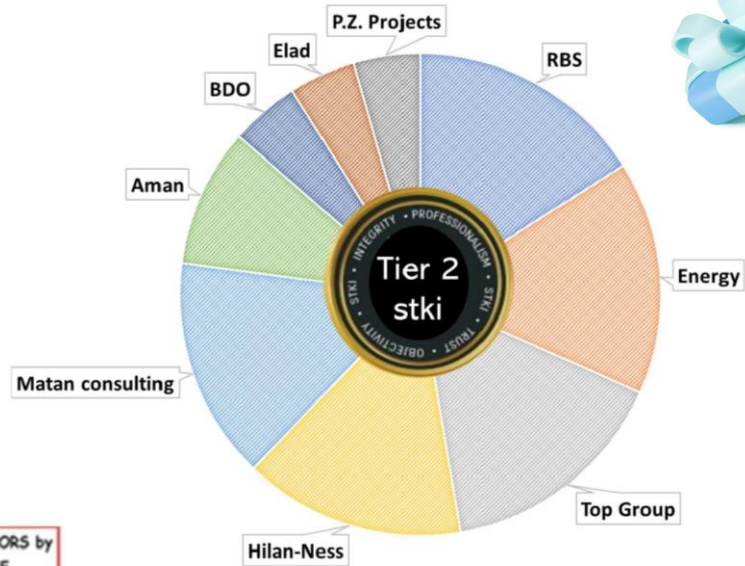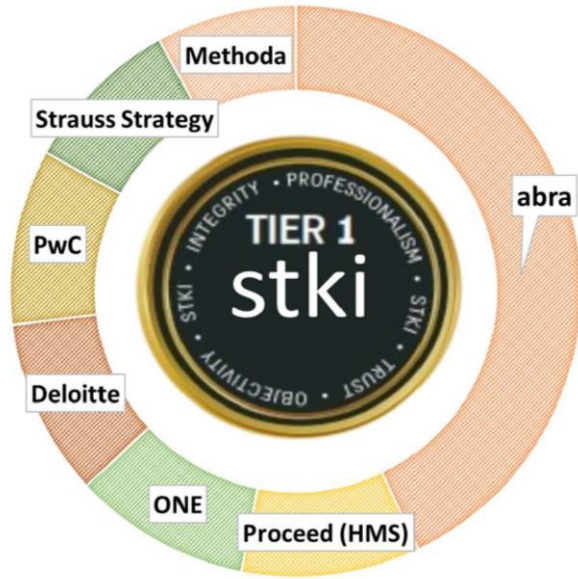
Highest ROI Feature

Outcome-driven process, based on understanding that **half of our ideas are just not going to work.**

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Project Management/ OCIO Consulting

value added services market

TIER 1
stki
INTEGRITY · PROFESSIONALISM · STKI · STKI · TRUST · OBJECTIVITY

- Methoda
- Strauss Strategy
- PwC
- Deloitte
- ONE
- Proceed (HMS)
- abra

Tier 2
stki
INTEGRITY · PROFESSIONALISM · STKI · STKI · TRUST · OBJECTIVITY

- P.Z. Projects
- Elad
- BDO
- Aman
- Matan consulting
- Hilan-Ness
- Top Group
- Energy
- RBS

We rank VENDORS by
REVENUE
and
CLIENT MINDSHARE

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Technology-organizational model
for PPM

PPM as a collaboration tool that **changes the system and redesigned work processes**
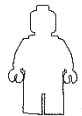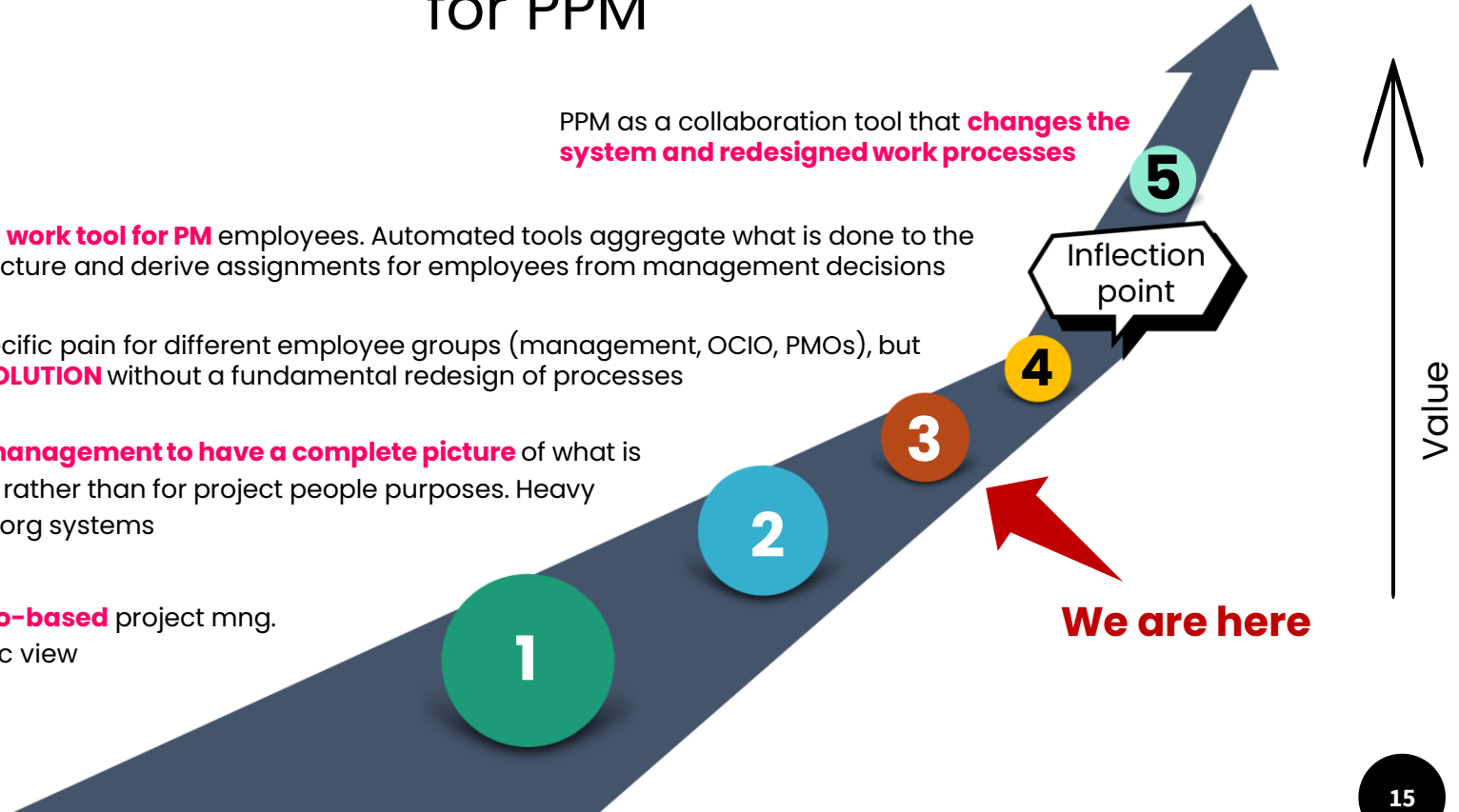
5

Inflection point

PPM as a **work tool for PM** employees. Automated tools aggregate what is done to the bigger picture and derive assignments for employees from management decisions

PPM tools solve a specific pain for different employee groups (management, OCIO, PMOs), but remain as a **POINT SOLUTION** without a fundamental redesign of processes

4

3

PPM - Mostly for the **management to have a complete picture** of what is happening in the org, rather than for project people purposes. Heavy integration into other org systems

2

We are here

Disjointed, **silo-based** project mng.
Lack of holistic view

1

Value

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Product Management

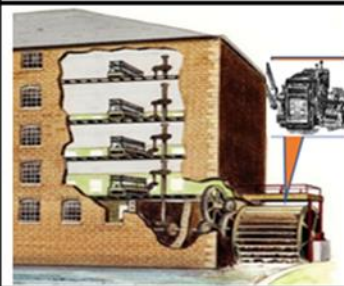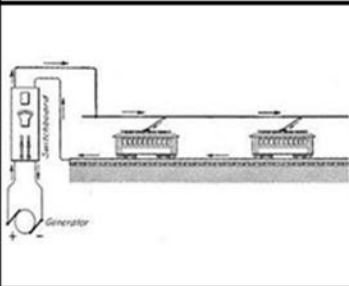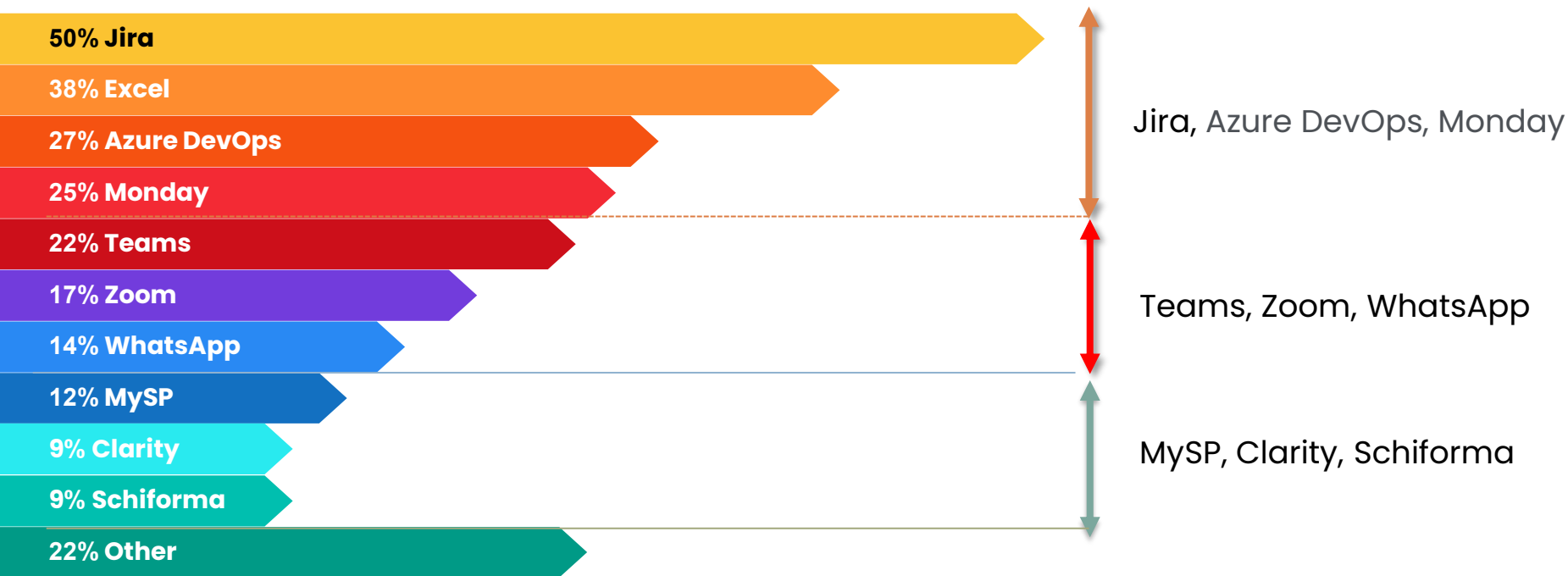| Disconnected with the org strategy, feature-based PM	Value-streaming multi-disciplined IT Product team	Blurring the business/ IT boundaries, unified work on a specific Product	Customer-centric Product team product discovery and delivery	PM that necessarily changes the **Organization, processes, and structure**
1	**2**	**3**	**4**	**5**
new technology demontrates its capabilities	We're in BETWEEN TIMES			What would an enterprise look like if designed from scratch, given knowlede about the new technology?
1879, Edison demonstrated the electric light bulb	**Proving new uses** for electricity: Edison focused on light (used at night) ; Sprague focused on electric motors for factories, streetcars and building elevators.(daytime electric power)	Entrepreneurs took steam, horses and other power supplies swapping it for new "plug and play" **POINT SOLUTIONS** (that did not offer a reason to use more power)	**Application Solutions** started when electric drives were mounted on single machines (had to be totally redesigned in order to take advantageof its own engine)	The value of electricity was recognized when the possibility of 'buying" power only when needed and only in the amount needed was understood.\n\nThis insight requiered a **complete "system" reorganization, work processes and space redesign ,**

באילו <u>מוצרים</u> עובד ארגונך כיום לטובת ניהול מוצר?

50% Jira

38% Excel

27% Azure DevOps

25% Monday

22% Teams

17% Zoom

14% WhatsApp

12% MySP

9% Clarity

9% Schiforma

22% Other

Jira, Azure DevOps, Monday

Teams, Zoom, WhatsApp

MySP, Clarity, Schiforma

Source: STKI 2023

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PPM Israeli Market Positioning– 2023

Local Support

Atlassian Jira

Monday

Broadcom

MySP

Schiforma

Microsoft

Service Now

SAP PPM

Clarizen

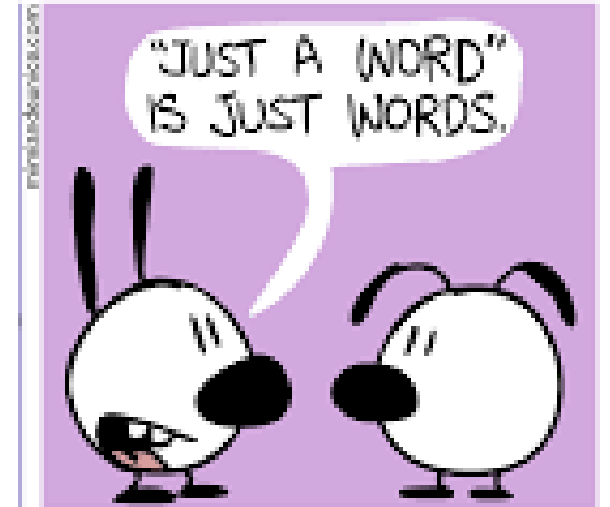Commugen

Trello

Market Presence
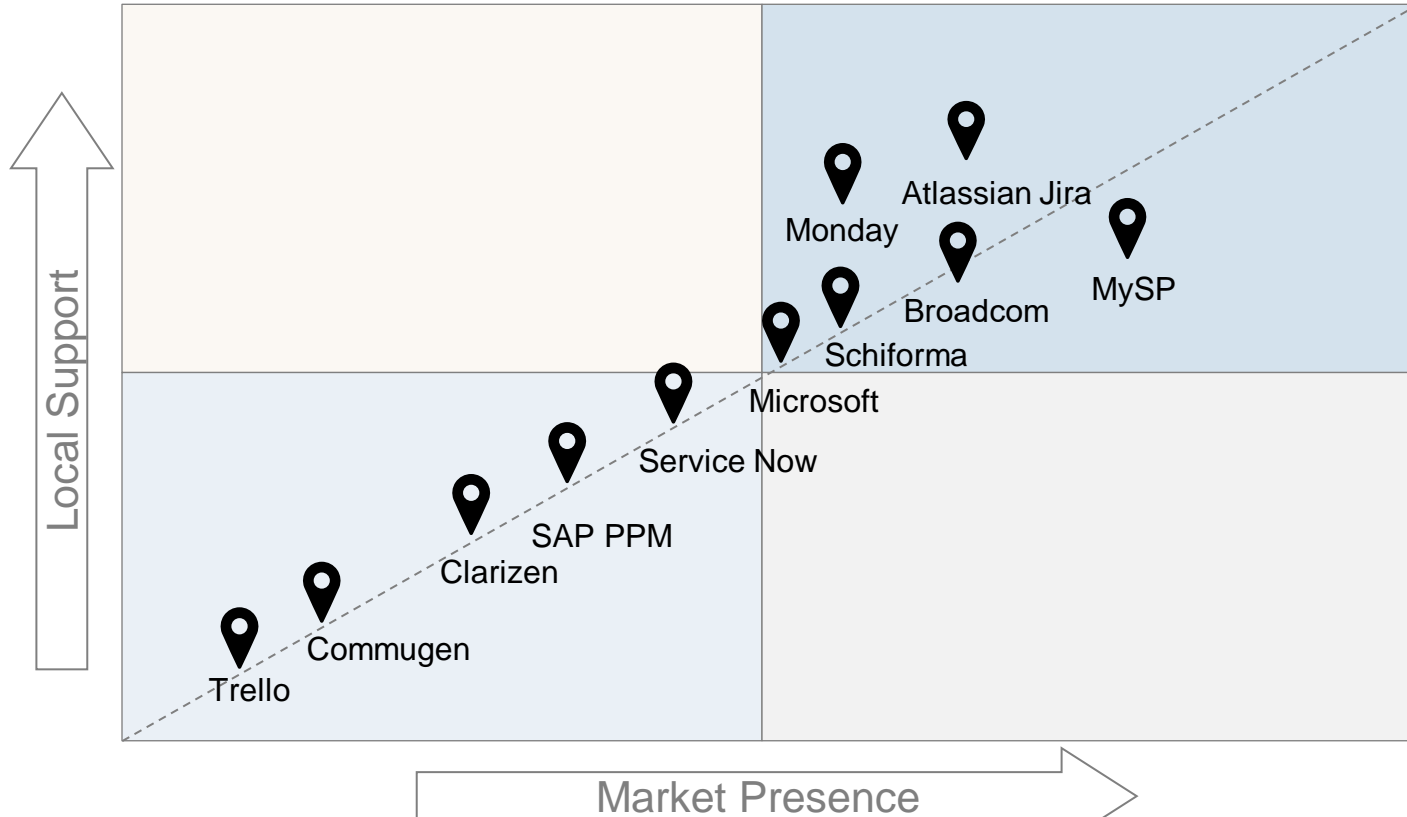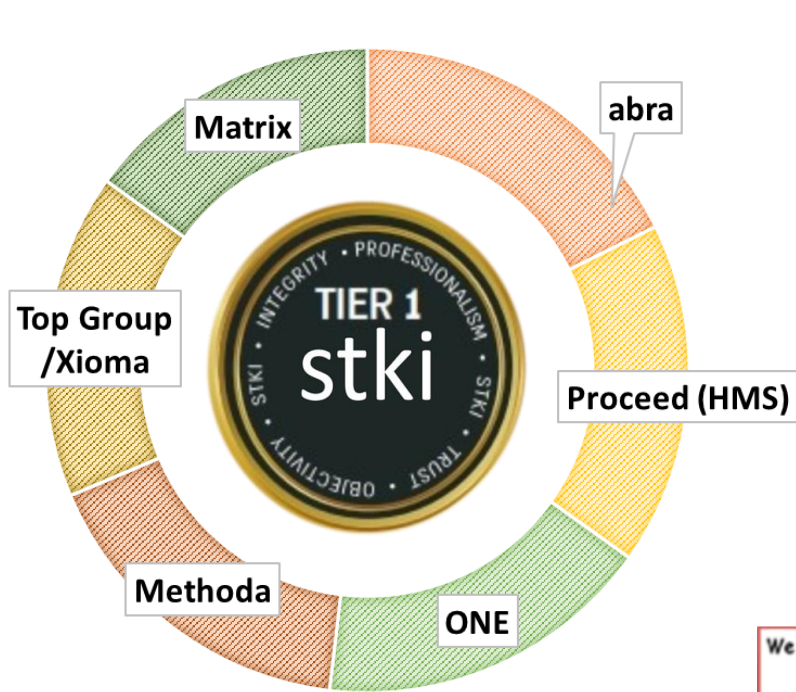
There is NO clear PPM winner

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A word to Vendors that deliver PPM:

- Many orgs are not very happy with their current PPM installation. They are looking for a user-friendly, cloud-native, flexible, easy-to-deploy tool, that can manage every aspect of PM in an enterprise (budget, hours, tasks, risk, etc), but unfortunately, such a perfect solution doesn't exist - all have **Pros & Cons**

- PPM can be much more successful if everyone's **expectations** are managed correctly

- We believe that vendors should **separate between PPM consulting and tool implementation** and become tool agnostic
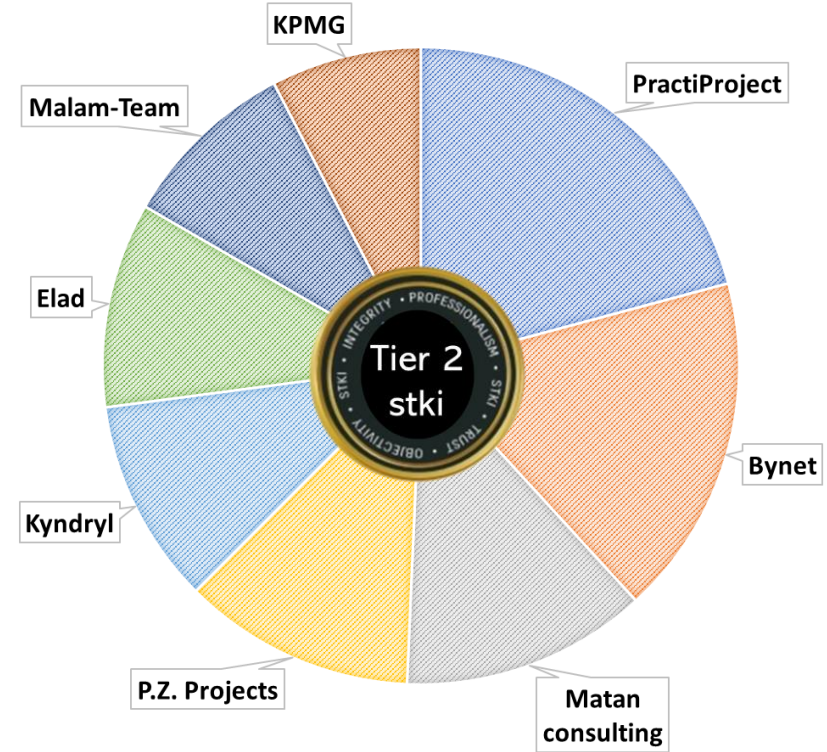

"JUST A WORD" IS JUST WORDS.

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PPM & Project Management Implementation

Tier 1 stki
- Matrix
- abra
- Proceed (HMS)
- ONE
- Methoda
- Top Group /Xioma

Tier 2 stki
- KPMG
- PractiProject
- Malam-Team
- Elad
- Kyndryl
- P.Z. Projects
- Matan consulting
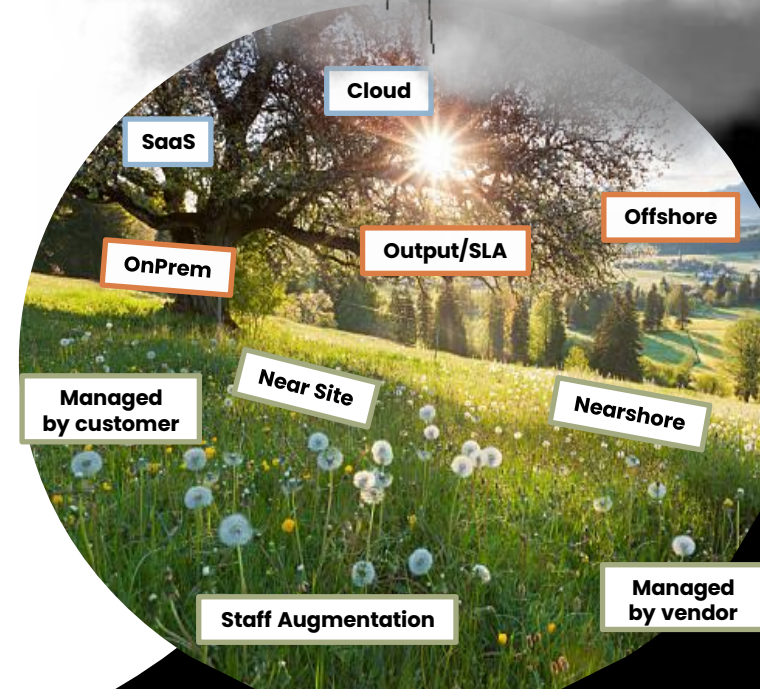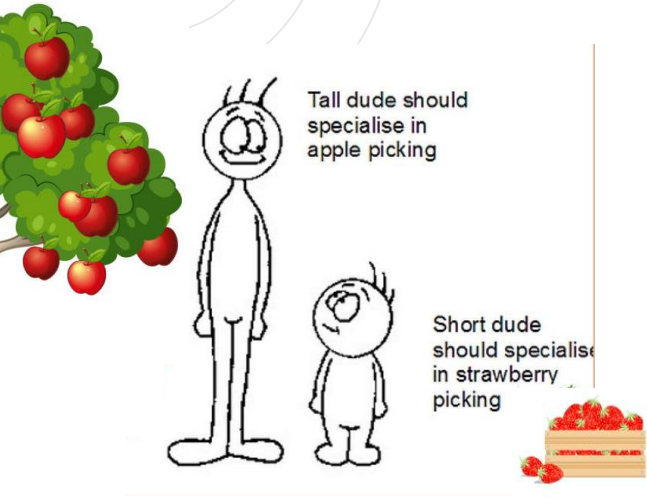- Bynet

We rank VENDORS by
REVENUE
and
CLIENT MINDSHARE

+ Tier 3

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3 Outsourcing

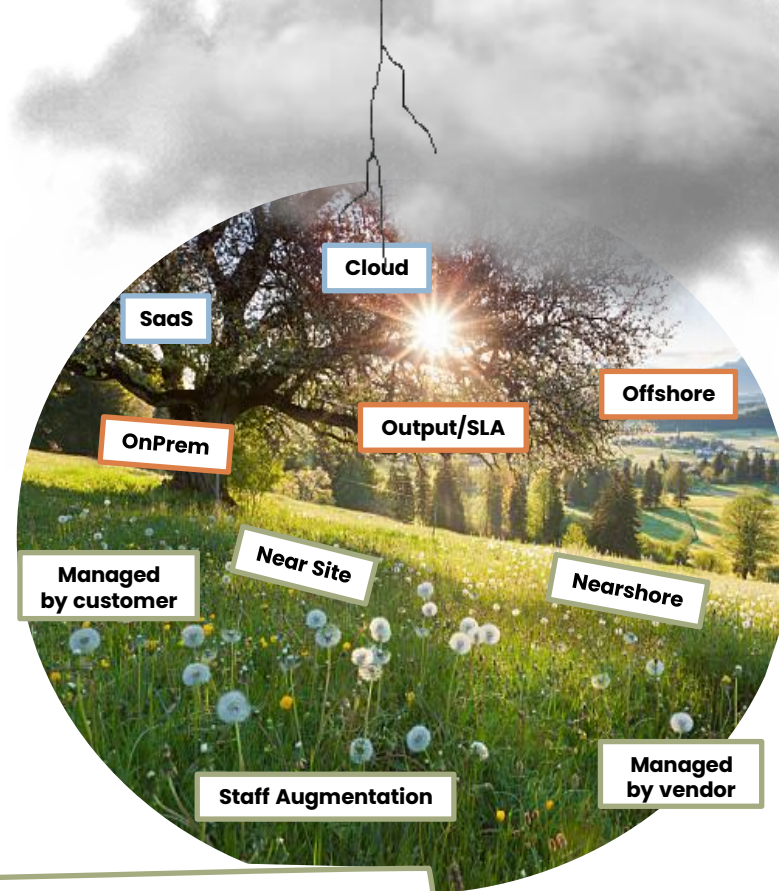Sourcing models, managed services, from traditional outsourcing to cloud, Nearshore, Offshore, and in-between

Cloud

SaaS

Offshore

Output/SLA

OnPrem

Near Site

Managed by customer

Nearshore

Staff Augmentation

Managed by vendor

Outsourcing

Tall dude should specialise in apple picking

Short dude should specialise in strawberry picking

Theory of competitive advantage

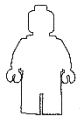*"...nations fare better when they focus on producing goods with the lowest production opportunity costs."*

Outsourcing Trends

o IT services market is robust

o Outsourcing continues to grow

o Traditional complete outsourcing taking a back seat

o Instead, aspects of the sourcing process that directly contribute to value creation for the enterprise client now have priority

o The "old, on-Prem IT" is moving to the cloud

o We're seeing framework conditions, objectives, and rules in the relationship between Enterprises & Sourcing providers change at an astounding pace.
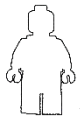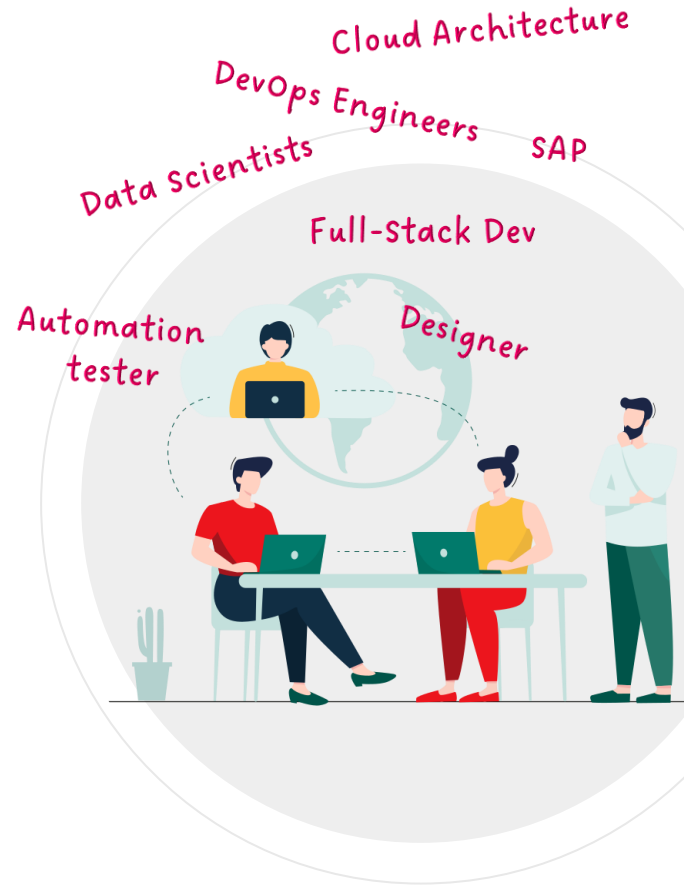
Cloud

SaaS

Offshore

OnPrem

Output/SLA

Managed by customer

Near Site

Nearshore

Staff Augmentation

Managed by vendor

One complete outsourcing = Σ *of many managed services*

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Nearshore, Offshore, and in-between

- Rapid tech development has **increased the demand** for qualified IT specialists

- Closing **the talent gap** remains a challenge

- **Nearshore & Offshore** models offer solutions for orgs lacking in-house specialists

- Israel already has a **successful track record** with these models

- **Benefits** of Nearshore and Offshore:

- **Access** to experienced professionals from a pool of skilled specialists with little turnover and practice set up **within days** or weeks

Cloud Architecture
DevOps Engineers
SAP
Data Scientists
Full-Stack Dev
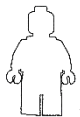Automation tester
Designer

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Testing Trends

SW development increase

- We are in the era where customers want to **experience more features** from the software they use

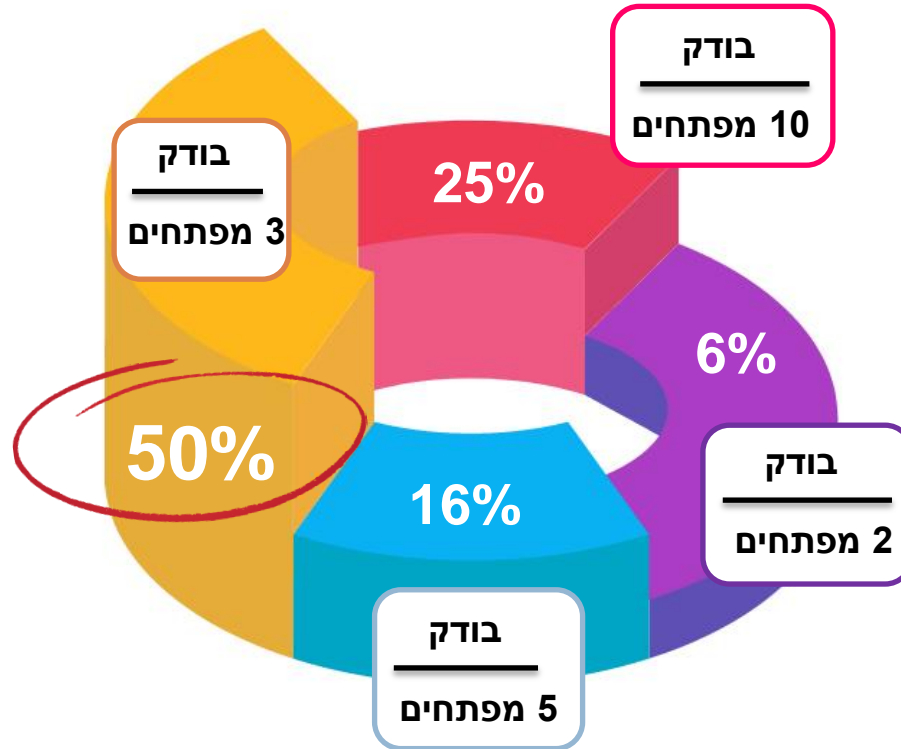- Orgs **strive** to deliver high-quality SW in ever-shorter timelines

QA Market Explosion

The importance of **Testing increased** in the pursuit of SW accuracy and efficiency

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מהו היחס של בודק : מפתח בארגונך?

Dev/QA ratio is changing

from 1:10 in 2019 to 1:3 in 2023

בודק
10 מפתחים
25%

בודק
3 מפתחים
50%

בודק
2 מפתחים
6%

בודק
5 מפתחים
16%

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WANTED

Qualified, experienced testers with specific expertise
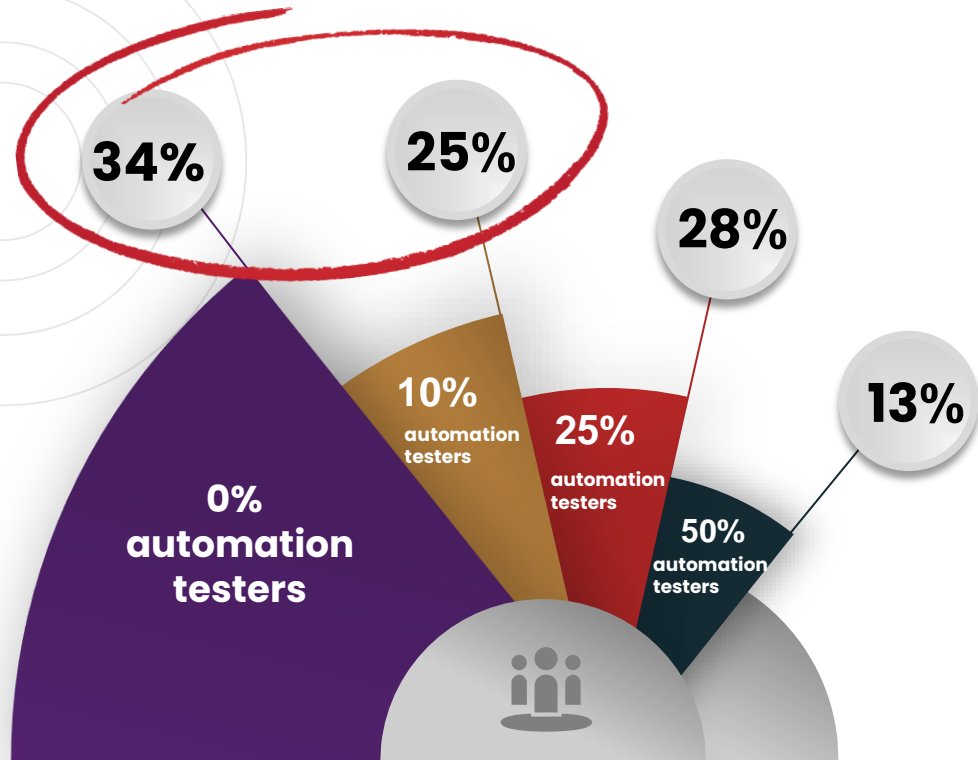(insurance, regulation, automation, etc.)

QA talent gaps may get even worse

To fill in the workforce gap and for better and faster coverage, organizations turned to test automation

BUT...
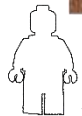
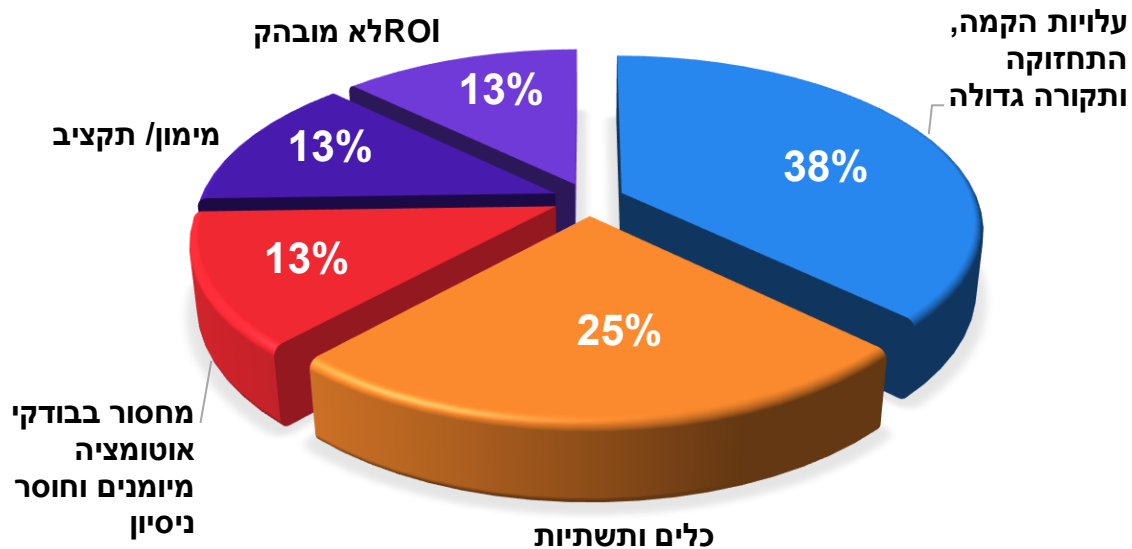# אחוז בודקים ידניים לעומת בודקי אוטומציה בארגונך

34%

25%

28%

13%

10% automation testers

25% automation testers

0% automation testers

50% automation testers

For **59%** of the orgs, automation testers make up less than **10%** of the org's total testers

Source: STKI Survey 2023

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האתגרים הגדולים ביותר בהקמה של בדיקות אוטומטיות בארגון:

The main challenge is in the establishment

I RECOMMEND

WHY

- **In parallel with a manual QA start building Testing Automation CoE** with developers and automation people: automation infrastructure establishment, standards and methodologies

- The profile of manual and automation testers is different. Automation tester is a developer. **Most manual testers don't have the qualification to become developers**

- Invest in **Low Code tools**

- LCDP **don't** require a strong background in development

- Start your journey to Testing Automation CoE establishment with **expert consulting**

- **Testing Automation requires knowledge & skills that orgs don't have** – leading vendors offer a quick free assessment, mentoring for QA mngr
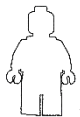
4 Business Process Automation

RPA, Process optimization, and Process Mining

# Technology-organizational model

for Business Automation

Hyperautomation Adaptive Rule Machines based on a combination of **HUMAN, AI, and RPA**

5

Inflection point

Advanced RPAs
Processing of **unstructured data, OCR**, chatbots, NLP

4

Point solutions

3

RPA v1.0
Based on rules engine, follows predetermined pathways

2

We are here

Rules-based systems
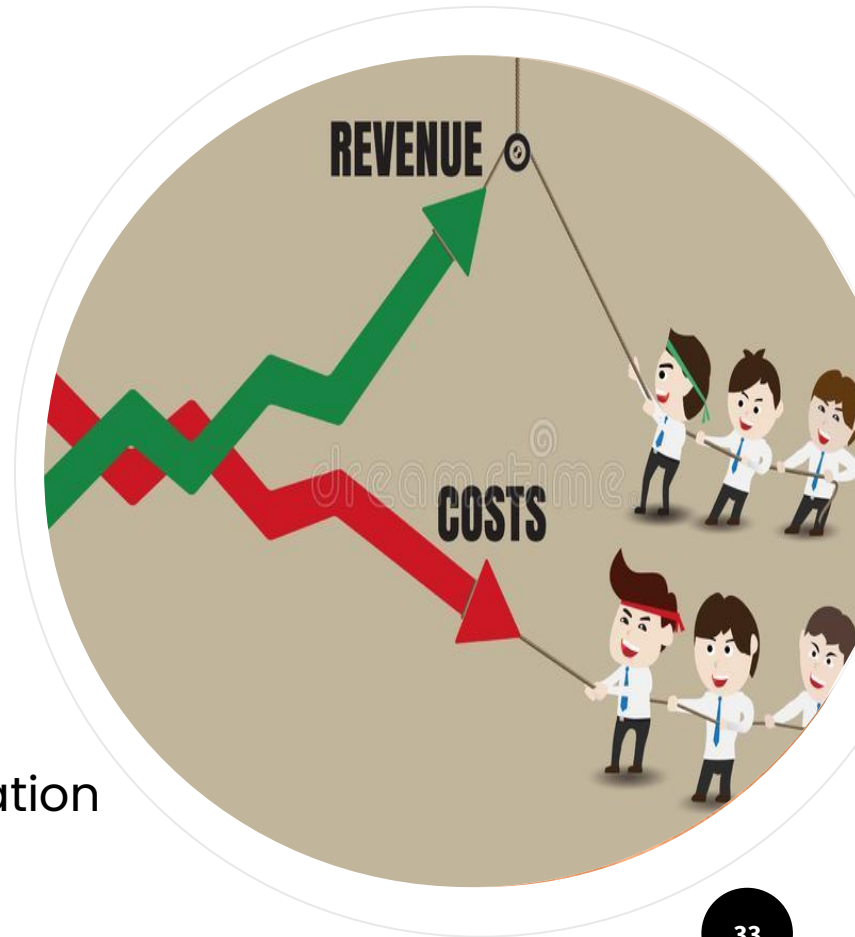Defined by human experts while writing the software

1

Value

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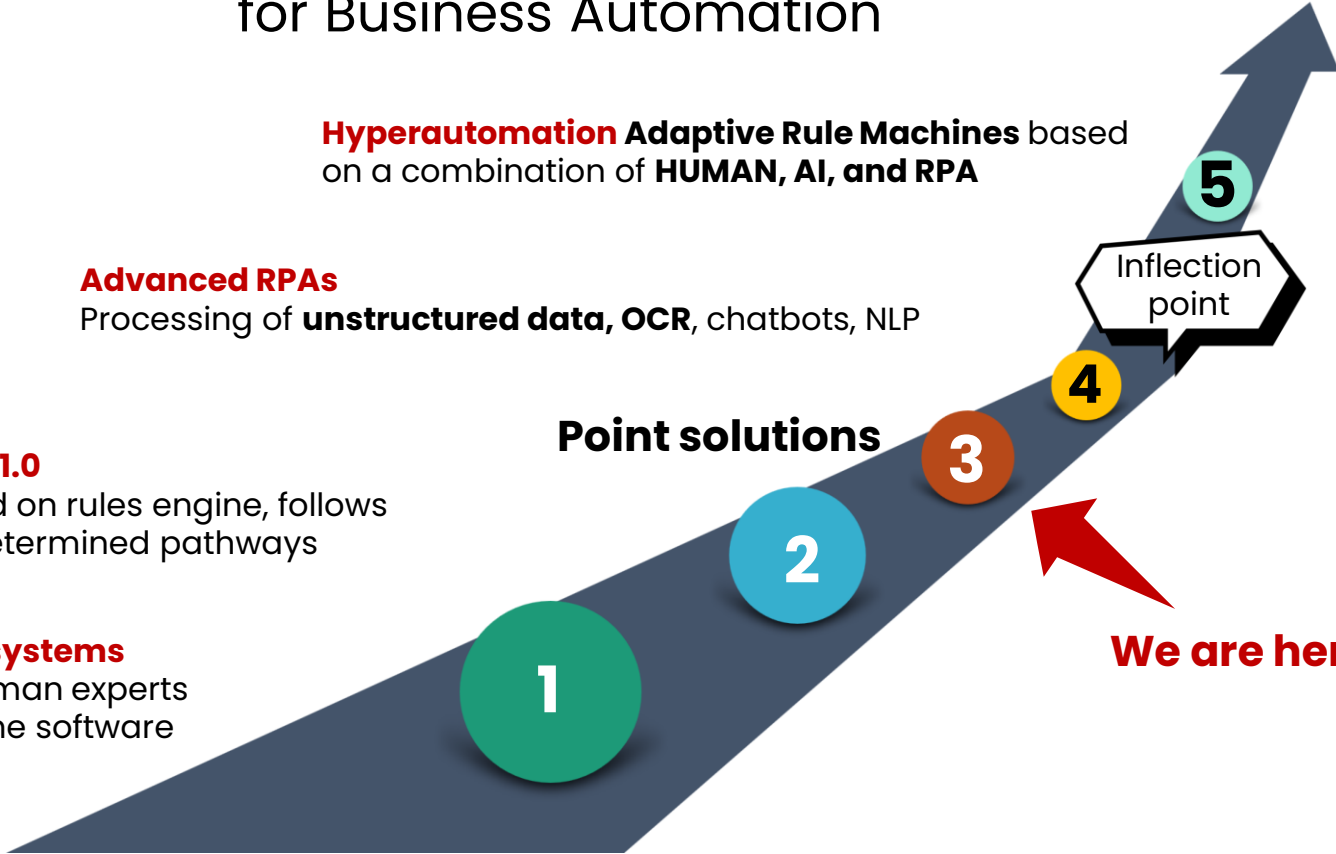
Every business today

Tries to increase revenues while decreasing costs

↓ ↓ ↓

Efficient transactional processing lowers operational costs and risk through automation

REVENUE

COSTS

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Process Automation & Optimization

- A new tech - RPA - entered the Israeli market by storm
- More than 100 enterprises have already implemented RPAs and continued to expand their applications this year
- Unfortunately, most orgs have implemented RPA as a quick win to a specific problem

One of the RPA benefits was revealing how many errors and delays were caused by bad processes
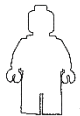
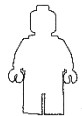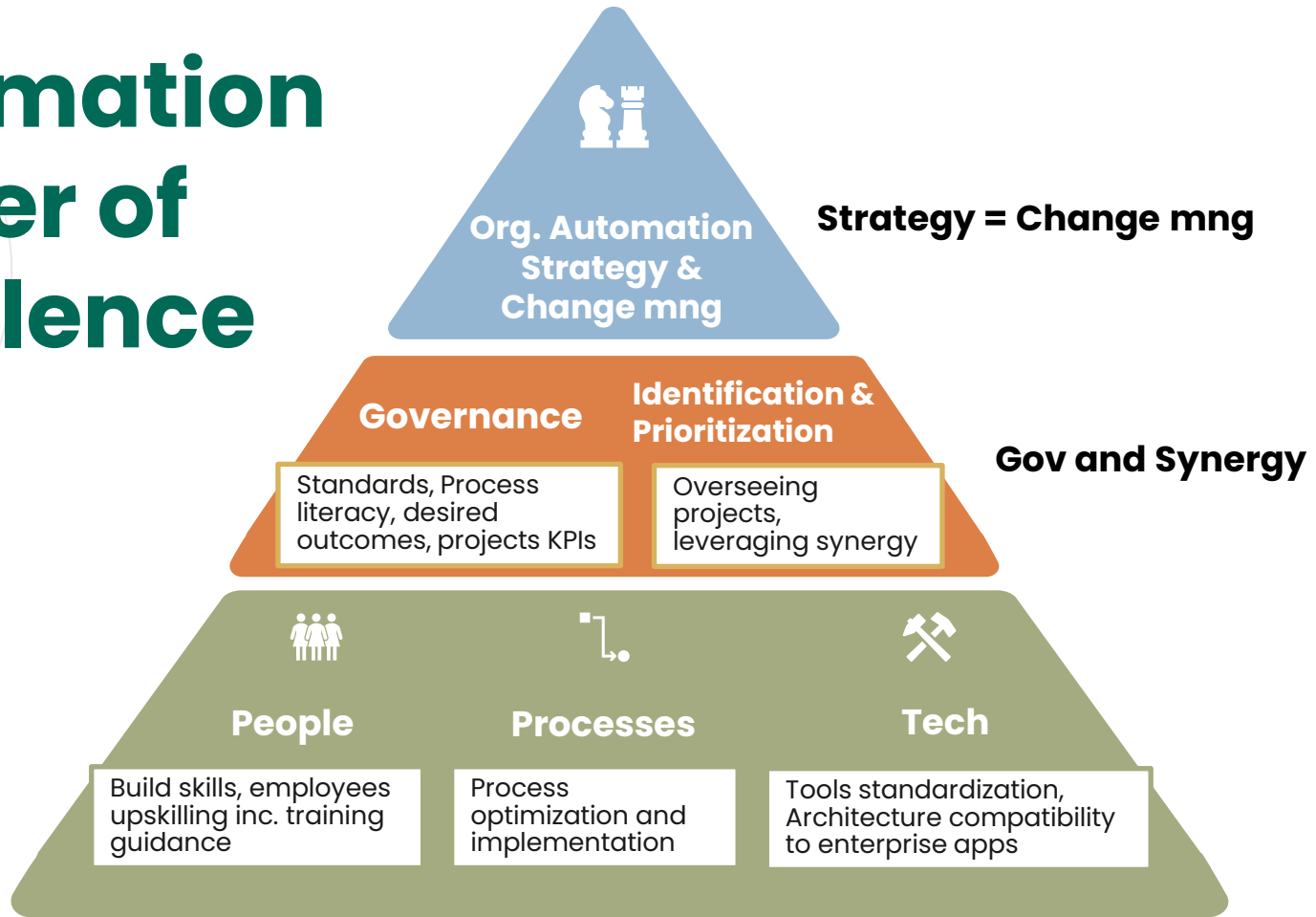At the start simply implementing RPA put you a step ahead of the competition.

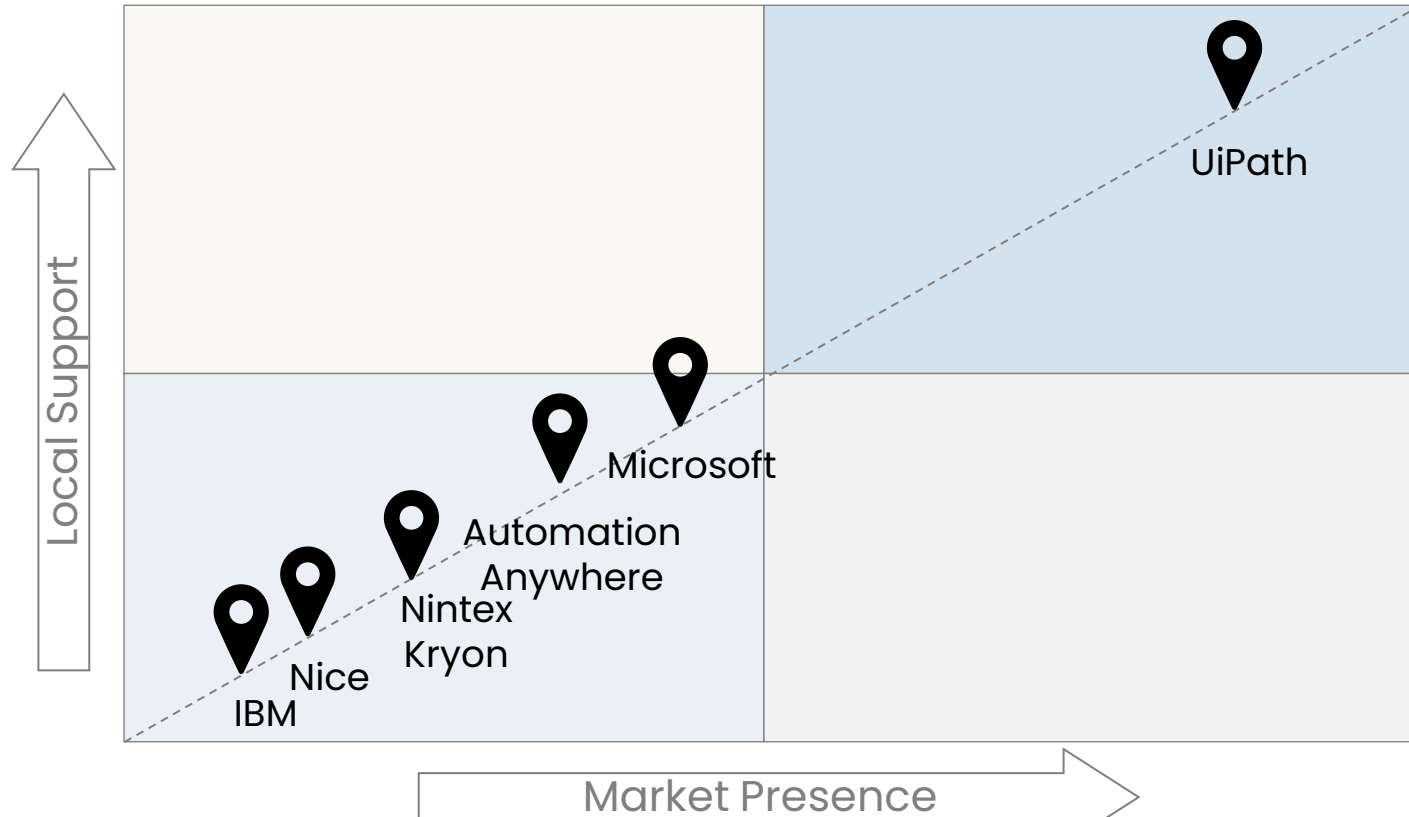Now, the Competitive edge hinges not on whether you automate, but how you do it.

Automation CoE

early days of RPA
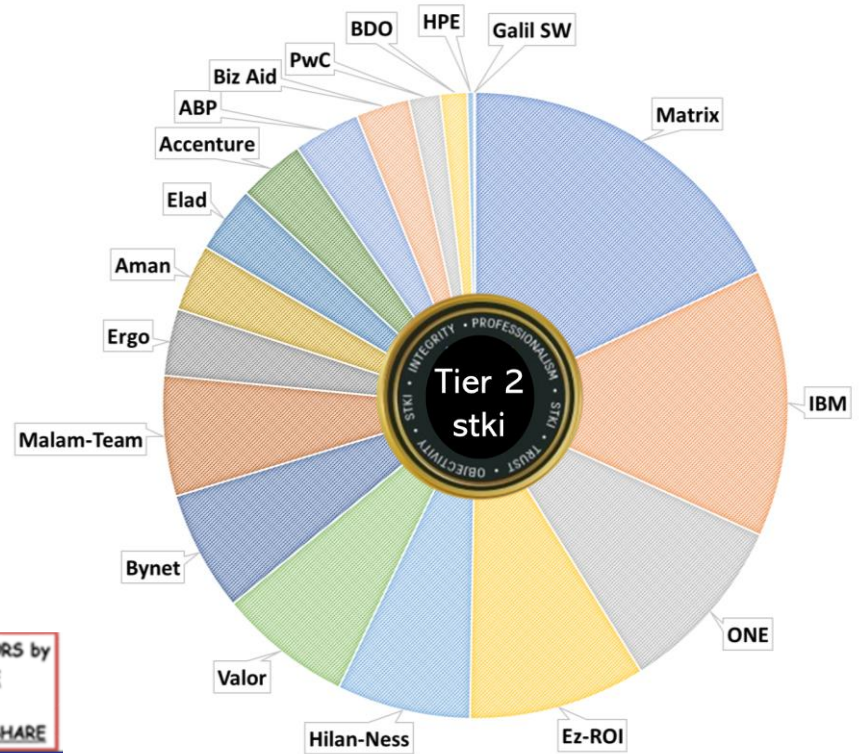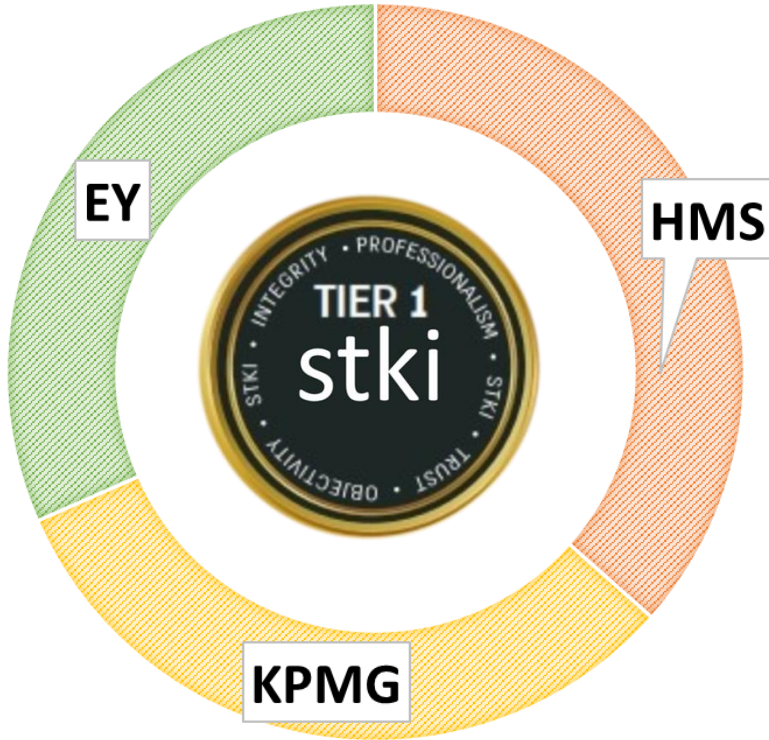
Automation Center of Excellence

Strategy = Change mng

Org. Automation Strategy & Change mng

Gov and Synergy

Governance
Standards, Process literacy, desired outcomes, projects KPIs

Identification & Prioritization
Overseeing projects, leveraging synergy

People
Build skills, employees upskilling inc. training guidance

Processes
Process optimization and implementation

Tech
Tools standardization, Architecture compatibility to enterprise apps

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RPA- Israeli Market Positioning–2023

- UiPath
- Microsoft
- Automation Anywhere
- Nintex
- Kryon
- Nice
- IBM

Local Support

Market Presence

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Automation Tools (RPA, OCR, others) Consulting & Implementations

Business processes are the pillars of the organization

But in an age of **ERP standardization processes** people GOT USED to vanilla processes which led to the **loss of Process Analyst Skills, Departments,** and business processes' understanding

BPM didn't help

- Rule Machines or Custom Rule-based Systems were **defined by human experts while writing the software**

- With years people **forgot** the rules

- It remained **static**

AI/ML changing the picture

- AI/ ML **Rule Engine** can **learn from past knowledge** and adjust itself to changes

"We should work on our process, not the outcome of our processes"- W. Edwards Deming, Statistician.
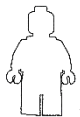
But what is our process?
Usually, 2 completely different pictures

What we think

How it's actually done
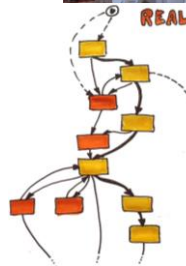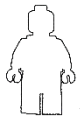

IDEAL PROCESS

REALITY

Process Mining

Combination of process mining (Data obtained from event logs & transactional DBs) and real-time analytics capabilities

One can detect process deviations, and bottlenecks and also generate inferences for recommendations and prediction
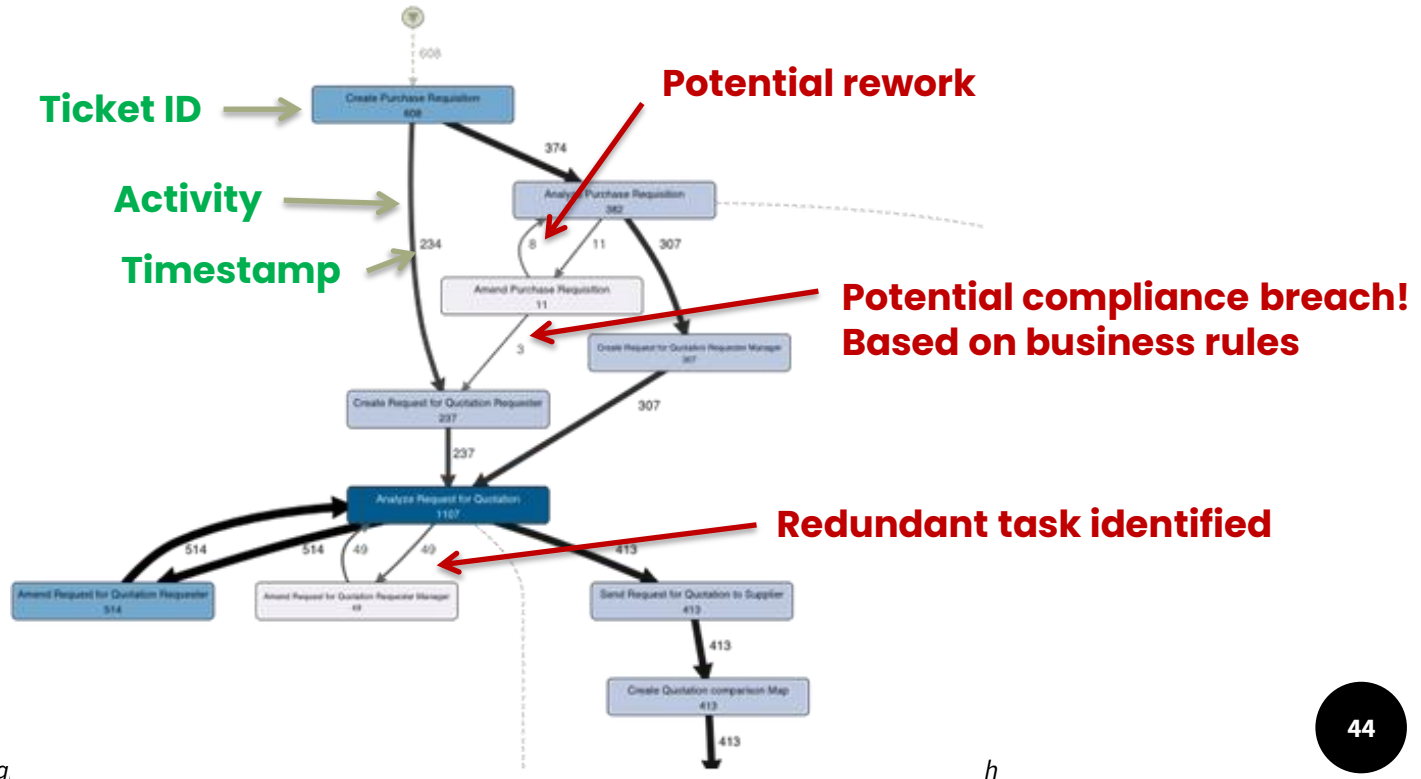
Digital traces in IT systems

- IT systems process data
- Information about previous events and activities are gathered in (event) logs – these are the digital traces
- We usually only use this data to analyze errors or track activities
- That's quite a lot of data that is rarely used!
- Most companies have mountains of unused data they could **mine for insights**.
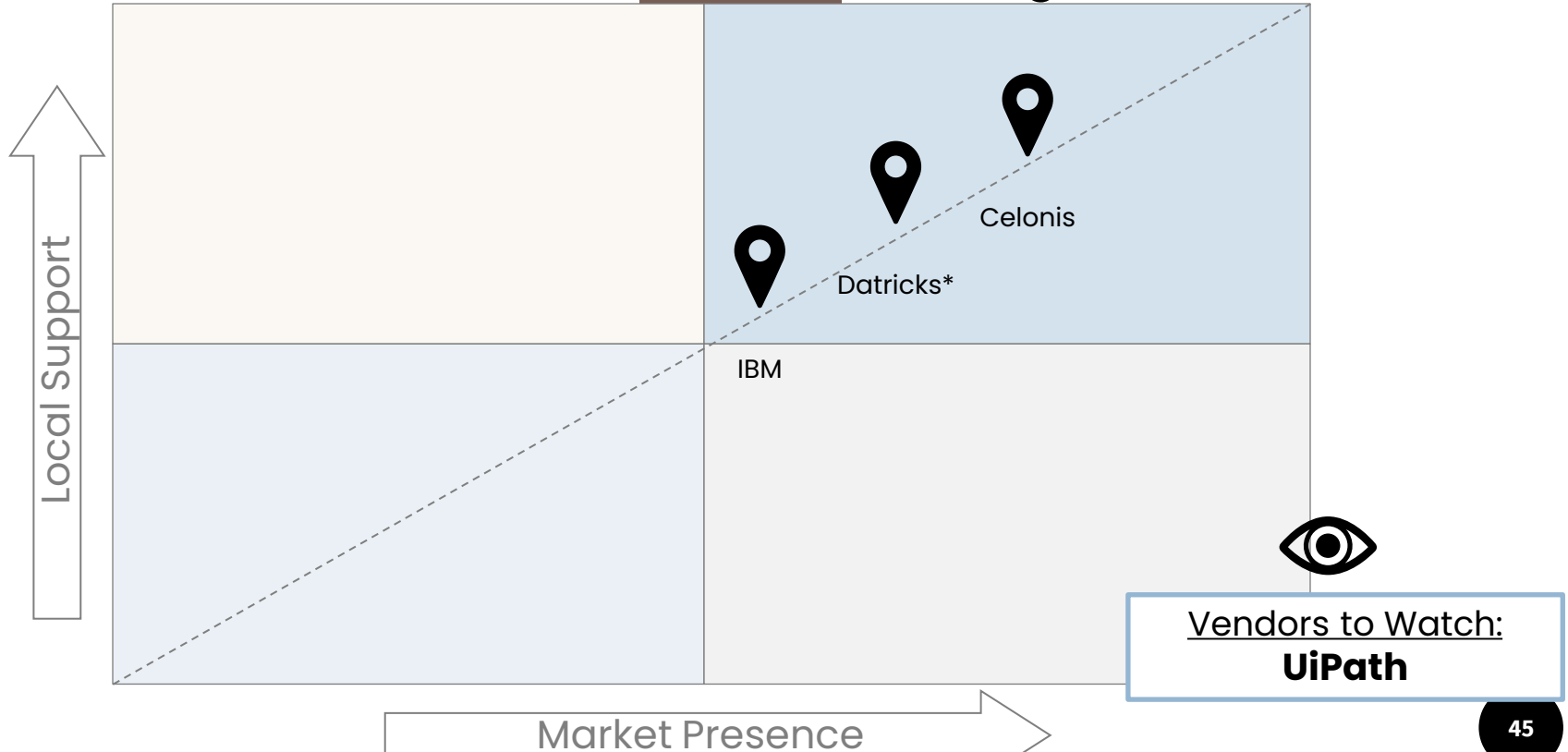
You need to understand the process before you can optimize it

Ticket ID

Activity

Timestamp

Potential rework

Potential compliance breach! Based on business rules

Redundant task identified

Process Mining 2023
Israeli Market Positioning

Local Support

Market Presence

Celonis

Datricks*

IBM

Vendors to Watch:
UiPath

stki.infoNFO

Process Mining Tools & Integrators in Israel 2023

🌐 Global leader

	Clients	SaaS/On-Premise	Integrators
🌐 **Celonis**	ICL	SaaS/On-Premise (partial features)	ERGO
IBM	ELAL	SaaS/On-Premise	IBM Expert Labs, ABP, Malam, Matrix
🌐 **Software AG**	–	SaaS	Software AG
Datricks* (Risk Mining)	Netafim, Teva, Keter, Phoenix, ICL	SaaS/On-Premise	Datricks, SAP
Pegasystems		SaaS	Elad
UIPath	–	SaaS/On-Premise	HMS
SAP Signavio			SAP, SAP integrators
Microsoft	–	SaaS	
ABBYY	–		Software Sources

I RECOMMEND

WHY

- Start by discovering & revealing

  the truth of the actual process

- Most orgs **can't tell what their actual processes** are. Process understanding is based on shadowing & standard interview-style discussions with users. Most of them provide an ideal answer, not what they actually do

- Start the org automation journey with

  the Industrial Engineering consulting

- In the era of ERP, most enterprises have lost their Process Analyst Skills. Most vendors prefer to start implementation, instead of process optimization

- Do the automation with Process Discovery

- Process discovery takes the blindfolds off IT & mngt to see how their processes are actually working

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Thank you!

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