NEAT EVALUATION FOR DXC TECHNOLOGY:

Agile & DevOps Services

Market Segments: Overall, DevOps Capability

Introduction

This is a custom report for DXC Technology (DXC) presenting the findings of the 2019 NelsonHall NEAT vendor evaluation for *Agile & DevOps Services* in the *Overall* and *DevOps Capability* market segments. It contains the NEAT graphs of vendor performance, a summary vendor analysis of DXC for agile & DevOps services, and the latest market analysis summary for agile & DevOps services.

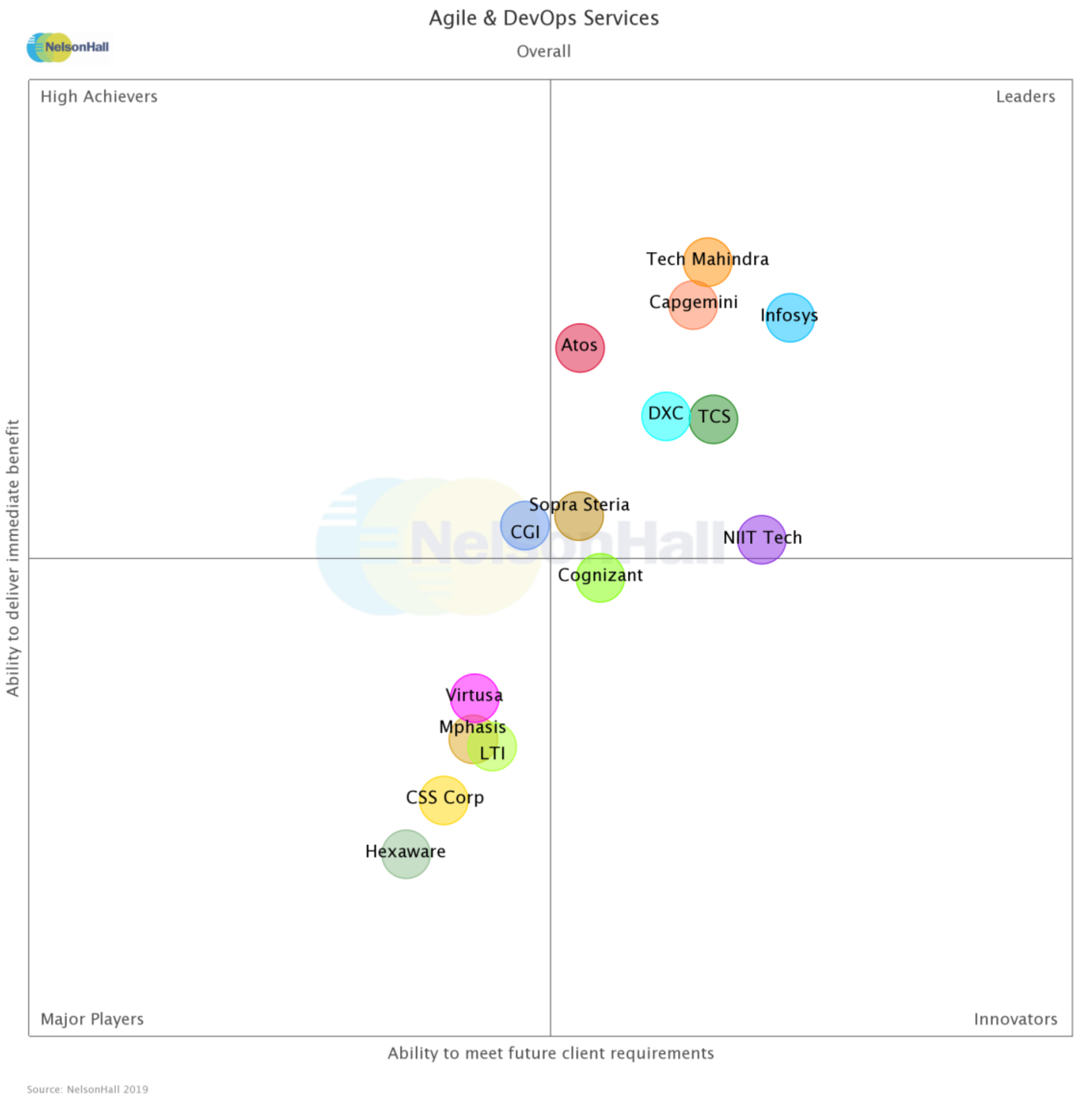
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering agile & DevOps services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in agile development and DevOps.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Atos, Capgemini, CGI, Cognizant, CSS Corp, DXC Technology, Hexaware, Infosys, LTI, Mphasis, NIIT Technologies, Sopra Steria, TCS, Tech Mahindra, and Virtusa.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: Agile & DevOps Services (Overall)

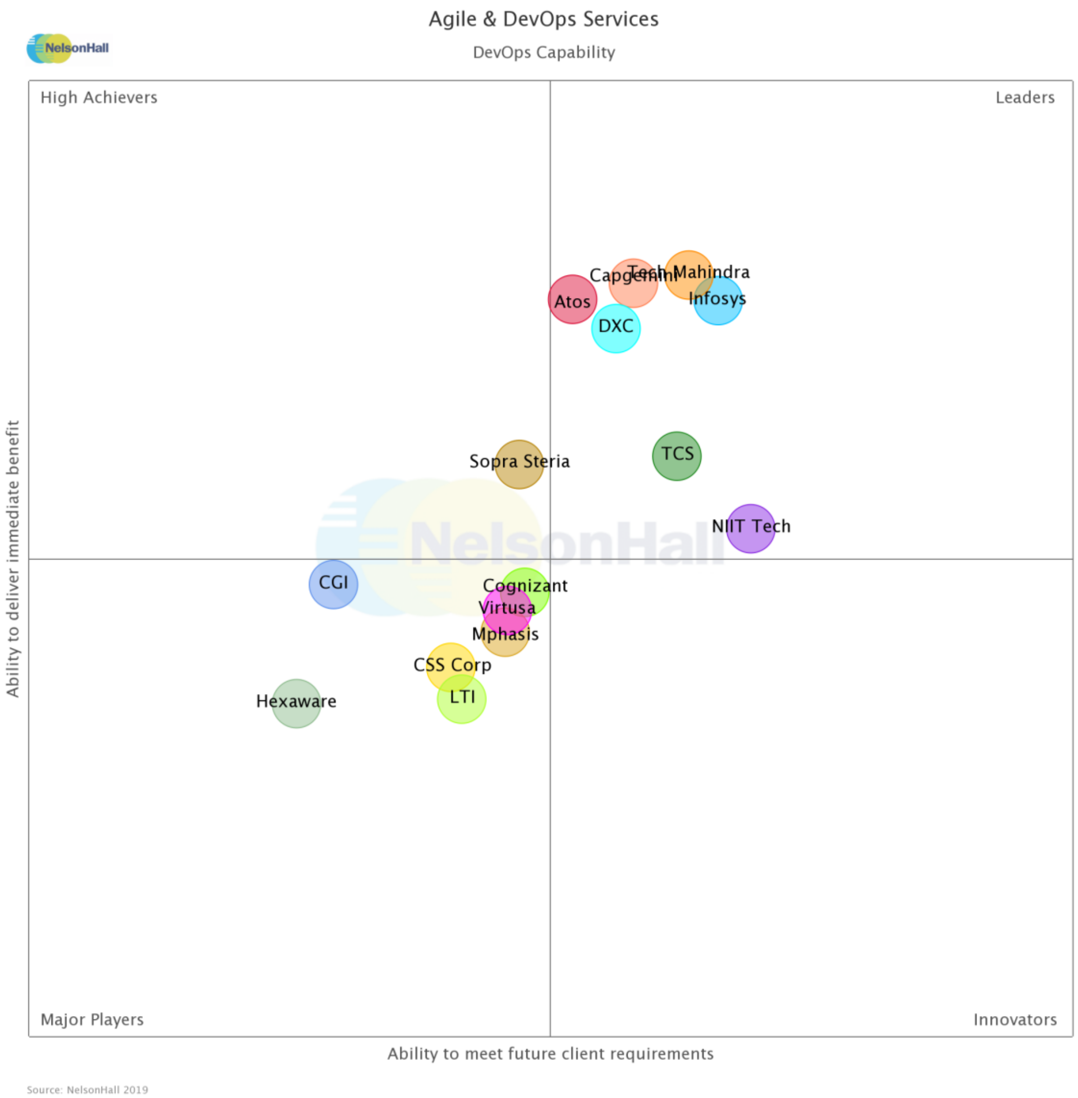


NelsonHall has identified DXC as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects DXC's overall ability to meet future client requirements as well as delivering immediate benefits to agile & DevOps services clients.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the Agile & DevOps Services NEAT tool (Overall) here.

NEAT Evaluation: Agile & DevOps Services (DevOps Capability)



NelsonHall has identified DXC as a Leader in the *DevOps Capability* market segment, as shown in the NEAT graph. This market segment reflects DXC's ability to meet future client requirements as well as delivering immediate benefits to clients with specific capability in DevOps.

Buy-side organizations can access the Agile & DevOps Services NEAT tool (DevOps Capability) here.

Vendor Analysis Summary for DXC

Overview

In May 2016, Tysons, Virginia-based CSC announced that it was acquiring the Enterprise Services (ES) division of HPE. As of April 1, 2017, when the merger was completed, CSC and HPE Enterprise Services re-branded as DXC Technology (DXC). DXC operates 31 strategic delivery centers and 91 data centers in ~70 countries, servicing ~6k clients. 55% of its labor force operates in low-cost geographies in 21 global delivery centers. Of CSC and HPE's top 200 accounts, there was a less than 15% overlap in the revenue streams.

In January 2019, DXC announced its intention to acquire Luxoft (the acquisition closed in June). Luxoft expands DXC's application and product engineering capabilities, including expanding its agile development footprint, bringing a significant Eastern European delivery presence and providing U.S.-based IoT, analytics, and blockchain capabilities. The companies are still in the process of fully integrating their agile operations but view Luxoft's upfront development and engineering capabilities as complimentary to DXC's operational and infrastructure strengths.

DXC Technology is also using partnerships to expand its capabilities. This includes partnering with PwC Consulting on some OCM, process, and culture change initiatives, and AWS and Microsoft Azure for cloud offerings.

DXC has four key areas where it applies agile development and DevSecOps capabilities:

- Digital Application DevSecOps:
  - DevSecOps transformation services
  - Digital design and development
  - Digital integration: APIs, microservices, and RPA
  - Application security
- Application development:
  - Core system development
  - Application integration services
  - Mainframe and legacy modernization
- Testing and digital assurance:
  - Test advisory services
  - Life cycle testing services
  - Enterprise application testing
  - Application security testing
  - Digital and emerging technology testing

- Application management services:
  - Application management (including as-a-service)
  - Application management assessment
  - Application service automation.

In general, DXC categorizes its offerings into three phases: *advise*, *transform*, and *manage*. As it integrates Luxoft into its operations, it is looking how to apply Luxoft capabilities to delivery of services. Across these three areas, the mix of legacy DXC and legacy Luxoft is projected as follows:

- *Advise*, providing guidance and coaching on the adoption of DevSecOps: primarily driven by DXC with support by Luxoft
- *Transform*, implementing DevSecOps projects, capturing the business value and burning down backlog: primarily Luxoft with support by DXC
- *Manage*: transitioning projects into operations and using DevSecOps and automation principles: completely delivered by DXC.

Financials

DXC reported 2018 revenues of ~$21.8bn while Luxoft reported 2018 revenues of ~$905m, giving the combined entity ~$22.7bn in calendar year 2018 revenues.

NelsonHall estimates that 10% of DXC's revenues and 80% of Luxoft's revenues in 2018 derived from agile development and DevOps services, $2.9bn combined.

Strengths

- Broad geographic delivery footprint
- Luxoft acquisition adds dedicated agile experience in emerging technologies
- Focus on core DevSecOps capabilities
- Defined internal and external transformation approach.

Challenges

- Adoption of agile capabilities at traditional operations and infrastructure client base
- Ongoing integration of Luxoft still in progress
- Internal transformation to agile and DevSecOps still in progress.

Strategic Direction

DXC has defined a strategy to grow its agile development and DevOps practice by focusing on the following areas:

- Complete Luxoft integration
- Cross-offering integration
- Expand industry-focused offerings
- Grow skilled employee base.

Outlook

With the introduction of the Bionix delivery model in 2018 and the acquisition of Luxoft in 2019, DXC is placing significant focus on the adoption of agile and DevSecOps principles. While it is still in progress on the enterprise-wide adoption of these capabilities, having a significant priority placed on them demonstrates the commitment DXC is making both to its employees and its clients. It also provides a strong reference point when DXC looks to transform its large enterprise client base.

This reference will be important to facilitate adoption among its clients and expand DXC relationships that are heavily tilted toward operations and infrastructure activities today. The acquisition of Luxoft also helps shift the conversation between DXC and its clients, providing new and demonstrable capabilities. However, as with all acquisitions, the current integration process is going to take time and resources, potentially acting as a distraction to the continued evolution of these offerings.

Agile & DevOps Services Market Summary

Overview

NelsonHall sees ~34% of application services revenues associated with the use of agile development and DevOps today. While these services are growing rapidly, the large installed base for traditional application development and maintenance means agile and DevOps will remain a fast-growing minority area for the next few years.

Agile and DevOps services engagements typically take three forms: vendors delivering development services using agile and DevOps, vendors providing consulting to enable clients to deliver agile development and DevOps internally, and engagements that combine both transforming client operations and delivering development services using agile and DevOps.

The vast majority of vendor revenues for agile development and DevOps services are related to the use of these capabilities in the delivery of application implementation and management. However, a small portion (<10%) will be derived from stand-alone consulting services to aid clients in the adoption of these capabilities internally.

Clients that have engaged vendors in completed agile and DevOps service projects are primarily focused on time to market, value, and leveraging vendors to improve their own capabilities. These are all highly important to more than 85% of clients. However, the effectiveness with which vendors are helping realize this value lags considerably, with fewer than 65% of clients viewing vendors as highly effective.

Clients are placing significant importance on vendors' onshore delivery and automated development tools, each highly important to more than three in four clients. However, vendors are currently significantly less effective in meeting client expectations, with fewer than 60% of clients satisfied with current vendor delivery in any delivery capability.

To deliver these services, IT service vendors are investing heavily in their agile, DevOps and automated development capabilities. These investments are frequently focused in three main areas:

- Expanding agile and DevOps skilled employee base
- Adding intelligence into toolsets used to deliver services
- Transforming the spaces used to deliver these services.

Buy-Side Dynamics

The key capabilities sought by organizations in selecting a vendor to deliver agile and DevOps services are:

- Automated development tools
- Onshore agile development delivery
- DevOps consulting
- DevOps platform
- Offshore agile development delivery.

Market Size & Growth

The global agile, DevOps and automated development services market is estimated by NelsonHall as ~$89,070m in 2018. We project agile, DevOps and automated development services to grow by ~11.6% annually through 2023.

Success Factors

The key success factors for agile, DevOps and automated development services vendors include:

- ***Portfolio of tailored offerings:*** successful vendors are able to adapt their agile development and DevOps offerings to specific client needs. This includes utilizing different agile approaches based on different objectives (Kanban for post-production, SAFe for scaled distributed agile) and tailoring DevOps pipelines: either using pre-configured pipelines for specific technologies or building around tools the client already has in place
- ***Broad transformation focus:*** successful vendors are working with and educating their clients on the broader change required to successfully pivot to an agile and DevOps delivery approach. This includes a concerted change management effort focused on governance, leadership and organization in addition to the defined processes
- ***Scaled delivery:*** successful vendors have a skilled delivery team, methodology and assets at scale, distributed globally. This allows for cost-effective delivery and enables vendors to respond as clients seek to quickly scale up successful agile proofs of concept into more broad enterprise agile efforts
- ***Agile spaces:*** successful vendors have built workspaces specifically designed to enable teams to deliver agile services. This includes collaborative space for early-phase ideation and design thinking, modular pods that can be moved to support changing teams and collaboration tools to support distributed work.

Outlook

The key benefits of adopting agile and DevOps are associated with accelerating service delivery. To realize these benefits, clients must be willing to make changes broader than implementing new toolsets and adopting new processes. Vendors must develop a plan and guide clients on making these broader transformational changes, including organizational, governance, performance measurement, and culture.

As clients become more sophisticated in their procurement of application services and are looking to tie IT initiatives with business value, they are increasingly looking to vendors to commit to achieving the proposed value and even align fees to achieving value. Vendors must develop clear KPIs and metrics that demonstrate how value is being realized for both IT and business and build internal capabilities that enable the alignment of fees with value realized.

The future direction for agile, DevOps and automated development services includes:

- ***Approach and objectives***:
  - Scaled, distributed agile is used as default application development methodology across the application landscape with specific targeted legacy platforms remaining in traditional delivery models
  - End-to-end DevOps toolchains tailored to specific requirements are deployed to manage major application families
  - Agile methods are used for the delivery of internal business functions in addition to IT functions.
- ***Benefits***:
  - Accelerated delivery is tied directly to realizing business benefits including increased revenues through better tailored offerings and improved customer satisfaction
  - Vendor fees are tied directly to achieving agreed business outcomes.
- ***Delivery model***:
  - Agile development team partners with UX-UI design and design thinking teams to collaboratively build high-value backlog
  - Globally distributed agile delivery teams, comprised of full stack development engineers organized into product teams, linked through collaborative technologies and working in specific build agile workspaces
  - End-to-end toolsets automate the workflow seamlessly across the entire SDLC
  - Ongoing operations teams are structured as site reliability engineering capabilities
  - Automated development tools are used to build cloud native applications in cloud PaaS environments.

NEAT Methodology for Agile & DevOps Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet future client requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders**: vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers**: vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators**: vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players**: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Overall next gen app development capability Distributed agile development capabilities Client proximate agile development capabilities DevOps platform offerings Automated development offerings Agile development consulting services DevOps consulting services Outcome-based contractual models
Delivery	Offshore agile development delivery capability Onshore agile development delivery capability DevOps implementation and management capability Proprietary development tools Proprietary automated development tools Client proximate agile consulting capability DevOps consulting and implementation capabilities Agile & DevOps OCM capabilities Americas Agile & DevOps delivery EMEA Agile & DevOps delivery APAC Agile & DevOps delivery
Presence	Scale of Ops - overall Scale of Ops - consulting Scale of Ops - implementation
Benefits Achieved	Cost savings achieved Time to market improvement Value for money Skilled employee increase User satisfaction

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Overall Future Commitment to Agile and DevOps Services	Financial rating Commitment to agile & DevOps Commitment to innovation in agile & DevOps services
Investments in Agile and DevOps Capabilities	In agile capabilities In DevOps capabilities In automated development In proprietary offerings
Ability to Partner and Evolve Services	Key partner Ability to evolve and use best practices

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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