Next-gen ADM Services
Digital Transformation
Archetype Report

A research report aligning enterprise requirements and provider capabilities

December 2018
About this Report

Information Services Group Inc. is solely responsible for the content of this report. Unless otherwise cited, all content, including illustrations, research, conclusions, assertions and positions contained in this report were developed by and are the sole property of Information Services Group Inc.

The research and analysis presented in this report include research from the ISG Provider Lens™ program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that was current as of June 2018. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars ($US) unless noted.

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EXECUTIVE SUMMARY
Next-Gen Adm Services

The global next-gen ADM market is following two different growth trajectories for the application development and application maintenance segments. Next-gen application development has branched out into areas such as analytics, IoT, cloud-native architectures, SaaS-based offerings, security, customer experience (CX) and user experience (UX), mobile apps and others. Most next-gen development activities are focusing on solving business problems, improving profits or revenue, or enhancing brand value, rather than acting as a support mechanism for running IT operations. Concurrently, next-gen maintenance activities are focusing on finding different avenues to achieve cost savings by using technologies like intelligent automation. Such efforts can eventually reduce the cost of maintenance activities by 20 to 30 percent, thereby allowing enterprises to reinvest in development activities. Enterprises are at the forefront of adopting and integrating next-gen ADM technologies. Enterprise-wide adoption of concepts such as DevOps is providing many benefits, such as: helping clients achieve agility and coordination among development, testing and production functions; developing a culture where application updates are shaped by user feedback; eliminating silos and realizing maximum value across the application lifecycle; bridging the efficiency voids across business processes.

- **Digital labor is making the existing workforce more productive.** Digital labor goes far beyond the realms of bot-based automation to include diagnostic, predictive and remediating capabilities using intelligence acquired over time to solve non-linear problems. Digital labor is enabling the current ADM workforce to focus on higher-value work. For example: While working on a data analytics project, the analyst can now spend more time analyzing data, rather than checking the data authenticity, quality and applicability.

- **Demand for hybrid cloud environments is higher:** Enterprises are increasingly creating cloud-native applications that can be moved directly to the public cloud. However, owing to security and regulatory reasons, a pool of applications still resides in the dedicated private cloud. Hence, enterprises are seeking providers that can accomplish migration and maintenance across cloud environments.

- **Business-based metrics are used more often to measure results:** To divert budgets towards digital transformation, enterprises are looking for methods to quantify the next-gen services and their direct impact on business. Commercial contracting structures and preferences are shifting from traditional input-based transactional models to ones that are built on business-based metrics.
DevSecOps is becoming the new normal: DevSecOps has replaced DevOps across the board. Enterprises and providers alike are realizing that security cannot be an afterthought. Thus, during early DevOps implementation phases, security principles are being incorporated as a default feature.

Rapid application development is on the rise: As enterprises transform by becoming agile, there is a growing necessity for tight integration among their business, engineering and operations organizations. These organizations are required to maintain rapid development cycles to quickly add features to existing offerings and release new ones in the market. Such enterprises are preferring to partner with service providers that can offer a globally distributed agile organization that balances the cost dynamics with the need for speed.

Full-stack developers are preferred for application development: More and more, providers are preferring full-stack developers for application development to avoid unnecessary coordination cycles. Having a single resource provides a 360-degree view of the environment to speed the entire development cycle. A full-stack developer is a developer that has knowledge and expertise to work from back-end through front-end application components.

Companies want to test automation as-a-service: Test automation-as-a-service is being advocated as a differentiator to win testing contracts with dominant digital scope. Enterprises are engaging with service providers to build test automation centers of excellence (COEs) and initially manage them.

Domain and vertical integration is necessary: A wide range of testing services are being mapped with industry-specific tools, reusable scripts and accelerators. The services being mapped include test consulting, application testing, application security testing, enterprise solution testing and IoT testing. Moreover, service providers are creating specialized vertical solutions for testing clients.

Testing is becoming a technology enabler: Testing is being viewed as an enabler to implementing emerging technologies. For example, for many IoT projects, service providers and clients are resorting to SIL (software-in-a-loop) and HIL (hardware-in-a-loop) testing approaches to test the real-world performance of connected devices.

Demand for full-stack testing engineers is increasing: The desire to achieve continuous testing capability has led to greater demand for full-stack testing engineers. Such resources are expected to have knowledge across test phases. For example, a full-stack engineer might be required to perform test execution automation on Selenium, integrate it with Jenkins for continuous integration and then provision the test environments in public cloud and virtual environments.
Introduction

Of late, ISG has started witnessing a new breed of contracts where clients are looking to leverage software capabilities to solve business problems, gain competitive advantage and increase speed-to-market. Service providers are augmenting their traditional ADM base with emerging technologies and collaborative frameworks to meet their client’s objectives. ISG terms such contract types as next-gen ADM contracts.

Like traditional application services, next-gen ADM includes consulting, design, custom development, packaged software integration, operations and testing. However, the scope, delivery mechanism and outcome for such contracts pivot around a value-based approach where the focus is on achieving enterprise agility and solving business problems. This report assesses service providers based on their capability to augment traditional ADM services with emerging technologies and methodologies, like agile, DevOps, automation, digital and modernization techniques to deliver application outsourcing projects. It also assesses provider capabilities in incorporating new approaches to develop and deliver applications that focus on business outcomes.

The ADM space is morphing into large-scale digital transformation projects, engagements that focus on packaged technology solutions with growing focus on SaaS-based offerings, and managed application services contracts.
Introduction

This ISG Provider Lens™ report summarizes the relative capabilities of 22 next-gen ADM service providers and their abilities to address the requirements of three typical, frequently encountered categories of enterprise buyers (“archetypes”). Each archetype represents a unique set of business and technological needs and challenges. Our research found no shortage of providers with capabilities adequate to satisfy the next-gen ADM needs across most user archetypes. This is due in large part to two core realities regarding the archetypes.

First, the characteristics of each archetype are moving targets because, while the core requirements rarely change, the relative importance of different requirements can vary based on business and/or technological environment changes.

Second most enterprises, especially larger firms, tend to have multiple archetypes. As each archetype’s requirements evolve based on business and technological changes, so too does the presence and value of each archetype within the enterprise. Therefore, enterprises have an ongoing series of choices when it comes to ADM service provider selection. They will need to strike a balance between optimal business value and the relative cost, integration and management of the provider engagement. Market changes, new business models, fluctuating economic factors and other variables will continually add to and subtract from user needs.

This report uses research and analysis from ISG’s long-running work with enterprise clients and outsourcing services providers to identify and examine key changes in, approaches for and buyers of next-gen ADM services. We map the user-side requirements to provider-side offerings and capabilities. Not every user enterprise has the same requirements. In this report, we use three buyer archetypes – detailed in the following sections – to identify and assess buy-side requirements for business value relative to provider-side offerings and capabilities. All revenue references are in U.S. dollars ($US) unless noted.

This report is intended to provide advice founded on ISG’s experienced-based, proprietary assessment of service providers’ relative suitability to the needs of the typical digital workplace customer. This advice is then applied across each of the five archetypes as profiled. No recommendation or endorsement is indicated, suggested or implied. Clients must make the decision to engage with any provider based not only on their specific, current workplace needs, but also on other factors such as cost, culture and timing.

The assessment methodology has been developed and refined over several years of working with buyers to understand and articulate their services requirements and from working with services providers to understand how those buyer requirements influence the development of suitable solutions and go-to-market strategies.

This report assesses the capabilities of 22 providers. Some service providers that are typically included in our work are not included in this report because they were unable to or declined to participate. They may be included in future versions of this report, based on merit and on the services providers’ willingness to provide current and relevant materials. Readers should not make any inferences based on a service provider’s absence from this report.
How to Use This Report

This report is intended to provide advice founded on ISG’s experience-based, proprietary assessment of service providers’ relative suitability to the needs of the typical next-gen ADM customer. This advice is then applied across each of the three archetypes as profiled. No recommendation or endorsement is indicated, suggested or implied. Clients must make the decision to engage with any provider based not only on their specific, current workplace needs, but also on other factors such as cost, culture and timing.

This report is organized as follows:

Client Archetype Descriptions – This section identifies and describes the most common user-side archetypes that we have identified in our ongoing research and analysis.

Assessments by Archetype – These sections first detail each of the client archetypes, along with the types of service offerings that each typically requires to realize the most business value. Each archetype section includes our assessment of the relevant capabilities and positioning of the services providers surveyed and interviewed. It covers the relative suitability of the providers for each archetype based on the information they have provided to ISG. These assessments are developed using the data, analysis and comparative methodology described in the methodology section.

Methodology – In this section, we outline and explain how we developed and applied the data, analysis and insights provided in this report.

Please note: This report presents services providers’ known capabilities in the context of user enterprises’ typical project needs (which are categorized as specific archetypes). This report is not meant to rank providers or to assert that there is one top provider with capabilities that can meet the requirements of all clients that identify themselves as a particular archetype.
CLIENT ARCHETYPE DESCRIPTIONS

Client archetypes used in this report (and in our ongoing advisory and consulting engagements) represent the various types of clients ISG has observed and how we classify them according to their relative outsourcing maturity and objectives. Each client archetype encapsulates the typical characteristics of a specific type of buyer that is looking to outsource one or more processes or functions. The use of archetypes enables us to develop sets of characteristics and needs that can be applied uniformly and repeatedly across multiple environments, industries, provider types and other variables within one service line.

The archetypes are not meant to be comprehensive examinations of all potential or likely client situations and requirements. They are meant to provide a simple, relevant and repeatable set of user-side requirements against which a similarly simple, relevant set of provider capabilities can be assessed.

The archetypes included in our reports are based on the most current marketplace knowledge regarding prevalent buy-side goals, resources, initiatives and requirements. Archetype characteristics are also developed (and refined over time) based on our advisory and consulting work with enterprise clients and IT service providers, and on our global business IT market research and advisory programs.
In this buying scenario, the client is trying to create a competitive advantage, enabled through advanced technologies and quick development processes. The client is focused on generating more revenues through the use of IT. Increasing revenue is the major driver behind the client's outsourcing strategy. Because the outcome of such outsourcing engagements has more direct impact on a client's business, there has been a surge in adoption of pricing models where the service provider’s fee is directly linked with the either the IT or business outcome.
Next-gen ADM Services Archetypes
Digital transformation essentially encompasses the adoption and integration of advanced technologies, operations and business processes that enable organizations to achieve the quick and seamless flow of bi-directional information and feedback across the value chain, thereby optimizing the value chain and attaining customer centricity. Clients in this archetype are looking to gain customer centricity and create a competitive advantage by the quick roll-out of applications, which is enabled through use of agile development frameworks and advanced technologies. Because the outcomes of such outsourcing engagements have a direct impact on a client's business, there has been a surge in adoption of pricing models like output-based and outcome-based, where the service provider's fee is directly linked with the IT or business outcome itself.
Digital Transformation

Client Objectives

- Generate more revenues through the use of IT
- Create client-centric solutions with the goal of seamless touchpoint experiences
- Achieve enterprise agility
- Make software a primary medium of rendering services
- Optimize usage of emerging technologies
- Link IT outcomes to business metrics

Digital Transformation Influence of Provider Capabilities

- Increase in future influence
- Decrease in future influence

Size based on relative current importance in the archetype profile
Of the 22 services providers included in our research, we found 10 that stand out above the others as matching the Digital Transformation archetype based on our assessment of their capabilities as described in the Methodology section in the Appendix. These 10, referred to as Archetype Leaders, and their relevant capabilities are presented in Figure 2, and briefly examined in the following sections.

Note: The service providers listed are arranged in alphabetical order. No ranking is implied.

### Digital Transformation Archetype Leaders

<table>
<thead>
<tr>
<th></th>
<th>Agile Development</th>
<th>Continuous Testing</th>
<th>Emerging/Specialized Capabilities</th>
<th>Fixed-price and Outcome-based deals</th>
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<tbody>
<tr>
<td>Atos</td>
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<td>4</td>
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<td>4</td>
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<tr>
<td>DXC Technology</td>
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<td>4</td>
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<tr>
<td>IBM</td>
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<td>4</td>
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<td>Infosys</td>
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<td>UST Global</td>
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<td>Wipro</td>
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About 41 percent of Mindtree's application development revenue in 2017 came from agile. Mindtree’s agile revenue in 2017 grew at a staggering rate of 46 percent. Mindtree has 3,972 agile engineers, 30 agile coaches, 200 Scrum Masters and 200 architects. Approximately 11 percent of all agile projects have release cycles under three months. Scrum is the most applied agile methodology followed distantly by SAFe and Kanban.

In 2017, around 60 percent of Mindtree’s testing revenue was generated from continuous testing services with 27 clients. Mindtree has been able to achieve 69 percent automation across test phases. Mindtree has a 3,200-strong career tester base, of which more than 60 percent are automation and digital technology trained and are deployable for continuous testing.

Mindtree has 100 total digital clients and has separate practices established for key technology areas like cloud, automation, mobility and AI. It has also established COEs for emerging technologies like data science and IoT.

Output- and outcome-based pricing models contributed 30 percent and 12 percent to Mindtree’s 2017 ADM revenue, respectively.
OTHER NOTEWORTHY PLAYERS – DIGITAL TRANSFORMATION

Some other providers scored high in or more areas that are important for the Digital Transformation client. However, they were not categorized as Leaders for this archetype because they did not rate high in enough categories.

Noteworthy providers (services providers with a high score in one or more categories) for Digital Transformation clients are:

Fig 3  Other Noteworthy Players – Digital Transformation Buyers

<table>
<thead>
<tr>
<th>Agile Development</th>
<th>Continuous Testing</th>
<th>Niche/Specialized Capabilities</th>
<th>Fixed Price and Outcome-based Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capgemini</td>
<td>EPAM</td>
<td>ITC Infotech</td>
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## SERVICE PROVIDERS ACROSS ARCHETYPES

<table>
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<th>Managed Services</th>
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<tbody>
<tr>
<td>Atos</td>
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★ = Leaders  
✓ = Noteworthy Providers (number of check marks indicate the degree of alignment with the capability requirements of each client archetype)  
□ = Not In (the Service Provider wasn’t considered a leader in any of the capability requirements for this archetype)  

NOTE: All Service Providers evaluated for this report have the abilities to service all four archetypes, only those with the best fit to the capability requirements were identified as Leaders or Noteworthy Providers.
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<td>✔ ✔</td>
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GUIDANCE

This research report has highlighted the multiple archetypes that we are encountering in the era of next-gen application services. The bucket of ADM services is going beyond labor. It is moving into partnering, technology components, use of party platforms and consulting.

What is more interesting to probe and further investigate is what is causing the dominant buying patterns covered in this study. For example: Why was there a surge in the use of SaaS-based packaged technology applications? Because clients are looking to retire some of their existing applications and replace them with a SaaS solution in the market. This is typically happening for standardized backend processes like finance, procurement and HR. Therefore, these archetypes not only categorize situations that enterprises find themselves in, but also differentiate between the various types of problems or potential opportunities for providers to address.
**Enterprise Leadership Actions**

**Don't get into the bi-/multi-modal trap:** Based on ISG’s work with clients, a bi-modal environment can at best be an interim measure to reach the final solution but is not the solution itself. There are two major reasons:

- It artificially creates two classes of people (“the fast ones and the slow ones”)
- Each part of IT is moving at its own speed driven by business needs – and the speeds are constantly changing over time. There is no fixed high speed and low speed.

For example, the enterprise sales organization would have next-gen apps and legacy software like Salesforce and SAP CRM. The end user journey starts in the Salesforce app, very likely goes through CRM and emerges back out of the Salesforce app. Splitting this key user journey into two modes would be preposterous.

Thus, the goal needs to be to think of the simplest way to reach a business outcome. The Digital Transformation archetype makes a good case to achieve this.

**Build a scalable and flexible enterprise architecture:** Identify your systems of engagement that require maximum focus and investments. Standardize most of their bespoke application landscape into one or two key enterprise stacks, e.g. Java, Oracle, Microsoft, SAP, etc. These are the candidates for the Leveraging Packaged Software Platforms Archetype. Today’s systems of record can be tomorrow’s systems of intelligence.

**Reduce overheads by using automation:** A successful change function cannot be implemented without a healthy run environment. Seek these competencies by using the Managed Services archetype. Adopt automation at the process level and leverage some of the best ASM frameworks to run operations.
Provider Leadership Actions

**Partner, because you cannot do it all:** To thrive in the next-gen application market, it’s almost impossible to have all the skills and technology knowledge in-house. Players that are doing well are the ones that are investing in partnerships with established as well as emerging technology and services firms. Partnerships were always important, and now their importance is rising to a higher level. For example, today provider-provider or provider-vendor partnerships talk about joint solution development, revenue sharing and a single go-to-market approach.

**Propagate a culture of higher collaboration:** Providers with FTE counts that run into hundred of thousands are trying to find newer ways to align the skillsets and project requirements with the talent available. Crowdsourcing, developing marketplace platforms and organizing internal developer meets and other events are steps in this direction.

**Create a continuous cross- and up-skilling training program:** At the velocity the technology landscape is changing, the industry is going to enter a phase that will have quick opportunities and an equally volatile environment. Thus, it becomes a mandate to have resources that are trained on what is the latest and greatest in the industry. However, the key is to have an equally good reward system in place for the resources that are going through the rigor of continuously upgrading themselves.

**The skin in the game in each archetype is different:** Offer value-based deals. Success in each archetype is defined differently – and this will impact both key performance indicators and how value is perceived (and priced).
Appendix
**APPENDIX**

**Methodology**

As previously noted, this report uses three archetypical sets of buy-side client requirements to assess the relative suitability of next-gen ADM services providers. Data regarding the providers’ capabilities and positioning was provided to ISG via briefings, ISG advisor interviews and surveys of service providers, including client references if appropriate.

Next-gen ADM services providers (SPs) shared their data across different next-gen ADM service dimensions through the research initiatives noted above. These dimensions cover their technological competency, preferred engagement models, scope of work performed, service capability, functional expertise and industry and regional presence.

**Report Methodology**

1. Categorize and assess provider data
2. Weight Importance of capability requirement
3. Determine provider position in quartile
4. Create cumulative score
5. Categorize providers in archetypes
Methodology Details

1. The data provided by the services providers were categorized and assessed according to the next-gen ADM services requirements described for each of the three client archetypes. In cases in which provider descriptions and data were not worded as precisely as our archetype requirements, our next-gen ADM services analysts relied on their expertise and experience to classify provider capabilities.

2. Each archetype capability requirement was weighted based on its relative importance to that archetype’s typical requirements. Weightings for each archetype’s requirements add up to a total of 100 percent. Specific weightings are not disclosed in this report. The relative importance of each capability requirement is depicted in illustrations at the beginning of each archetype section using differently sized “hexagon” icons.

3. Once the relative ability of each services provider was assessed for each of the archetype requirements, each provider was then positioned in a relevant quartile (e.g., top 25 percent, second 25 percent and so on). The top quartile was awarded a numerical “capability score” of 4/4; the second quartile earned a score of 3/4, the third quartile earned a score of 2/4, and the fourth quartile earned a score of 1/4. Those with no capabilities to meet the archetype requirements were not included in the assessment.

4. Provider capability scores from Step 3 were then multiplied by the weightings developed for each client archetype requirement in Step 2. The results for each provider were then totaled to develop a cumulative score for each service provider. These cumulative scores are not disclosed in this report.

5. The cumulative scores were then used to identify the services providers most well suited for each archetype’s requirements. These providers are listed alphabetically and briefly profiled in each archetype section. Where relevant, additional services providers with noteworthy capabilities are also mentioned (e.g., providers that may have scored well on a specific requirement but not across all the requirements for that archetype).

Please note: This report simply presents services providers’ known capabilities in the context of user enterprises’ typical project needs. This report is not meant to rank providers or to assert that there is one top provider with abilities that meet the requirements of all clients that identify themselves with a particular archetype.
The cumulative score for each of the selected services providers against each archetype requirement is represented using Harvey Balls. For example: if a provider is assessed with a score of 4 out of 4, then a full Harvey Ball is used to represent their capability against that requirement. Similarly, if a provider is assessed a score of 1 out of 4, then a one-quarter Harvey Ball is used, as shown above.
Additional Relevant Next-gen ADM Services Providers

The capabilities of 22 providers were assessed in this report. Some services providers that are typically included in our work are not included in this report. Some of the companies that were not included were not able to participate and others declined. Providers that do not offer a full portfolio of next-gen ADM services have not been included in the study. They may be included in future versions, based on merit and on the services providers’ willingness to provide current and relevant materials. Readers should not make any inferences about a services provider’s absence from this report.

<table>
<thead>
<tr>
<th>Other Relevant Service Providers</th>
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<td>Luxoft</td>
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