

BEWARE OF THE SMOKE: YOUR PLATFORM IS BURNING

The Evolution to the As-a-Service Economy Poses Major Opportunities and Threats to Enterprises

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Executive Summary

The means by which enterprises are buying and receiving services to augment their business operations is undergoing a sustained era of unprecedented change. Worryingly, as the future reality for business operations unravels, new research shows more than two-thirds of today's enterprises are simply not ready for what's coming. They're blissfully unaware that their comfortable world of reactionary operations and legacy status quo is going to get ripped apart. The As-a-Service train is leaving the station, and not only are many enterprises in real peril of missing it—most do not realize the wheels are already in motion.

Getting to As-a-Service requires simplification – removing unnecessary complexity, poor processes, and manual intervention to make way for a more nimble and proactive way of running a business.

In years gone by, sourcing was all about driving out costs and achieving incremental improvements to processes. While this focus is always a paramount objective for enterprise leadership, the means by which to achieve the next threshold of value has shifted: simply put, it's all about working smarter through more simplified, *intelligent operations*. We are hurtling towards a new era of service delivery, where business value is delivered As-a-Service, and where enterprises can plug into a service experience that delivers high quality, reliable, standardized execution combined with analytical, context-based results. Technology is a significant driver behind the shift—with infrastructure as a service, software as a service and business process as a service as well as robotic process automation (RPA) tools increasingly available.

In May 2015, with input from Accenture Operations, HfS Research surveyed 716 enterprise service buyers, advisors and service provider executives to understand more about how they perceive the importance of As-a-Service, how much progress their organizations are making to achieve As-a-Service, and their priorities for partnerships and investments.

Thriving in the As-a-Service Economy

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What Is As-a-Service?

Today, business services are about speed to business impact. Anything less is not taking advantage of the experience and capability that has developed in the global services market over the past three decades. During this time, four building blocks of sourcing have taken shape: operating models, talent, enabling technologies, and a burning platform for change driven by globalization and consumerism. As more and more service buyers, service providers, and advisors bring together these elements of sourcing, we are seeing the emergence of agile, business outcome focused solutions for sourcing. This is what we call the As-a-Service Economy.

HfS deliberately uses the word “economy” to emphasize that the next phase of sourcing is a new way of engaging and managing resources to deliver services. Rather than just another “model,” “economy” emphasizes the breadth and staying power of this development. This As-a-Service Economy focuses on what matters to the end consumer, whether that is within a company’s shared services organization, one or more business units, or in the company’s target audience or customer base.

It’s about simplification. This transition to As-a-Service means removing unnecessary complexity, poor processes, and manual intervention to make way for a more nimble way of running a business. It is also about prioritizing where to focus investments to achieve maximum benefit and impact for the business from its operations.

The emerging As-a-Service Economy will be more agile and dynamic, featuring on-demand plug-and-play services in a one-to-many fashion targeted to impact what matters to consumers as well as business. The two are increasingly intertwined as consumer insights, decisions, and loyalty carry increasing weight in the success or failure of an enterprise in any industry. HfS has developed Eight Ideals that contribute toward achieving this state of As-a-Service (see Exhibit 1).

Exhibit 1: What Is As-a-Service?

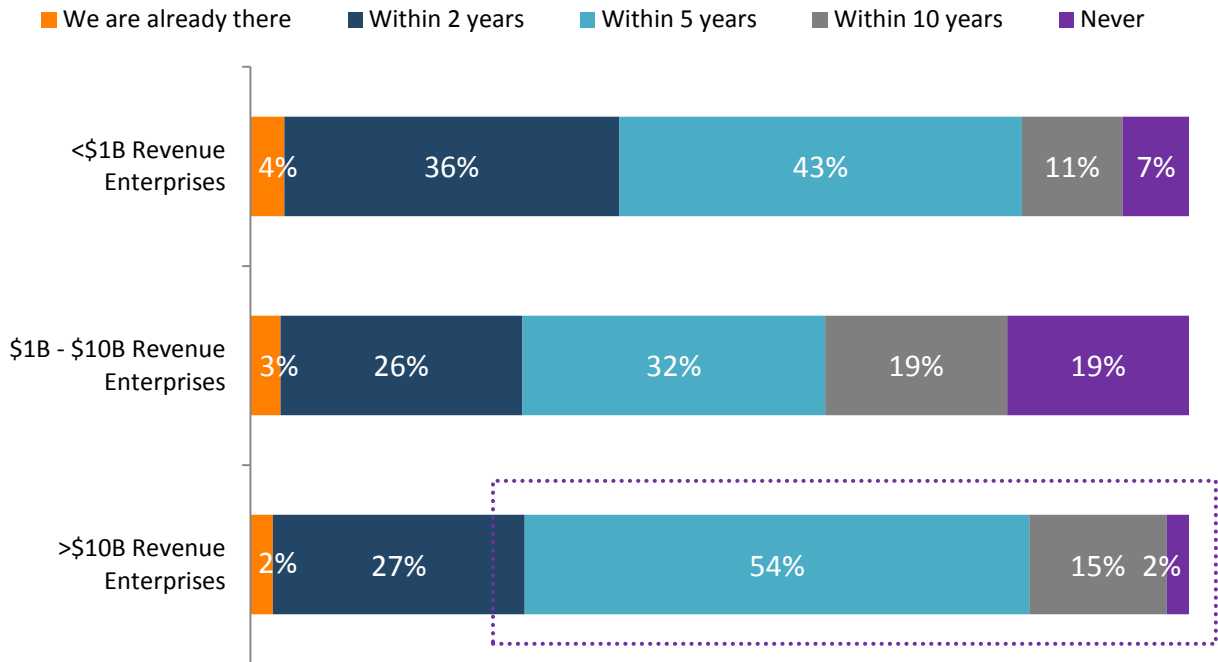
As-a-Service Ideal	Context
Design thinking	Generate creative solutions by understanding the business context
Business cloud	Enable plug-and-play business services
Intelligent automation	Focus automation to empower analytics and talent
Proactive intelligence	Align staff to interpret data to seed new ideas
Intelligent data	Apply real-time analytics models and insights
Writing off legacy	Use platform-based services that render past technology investments redundant
Brokers of capability	Align governance and operations staff to manage toward business-driven outcomes
Intelligent engagement	Ensure relationships are contracted to drive sustained expertise and outcomes

Source: HfS Research, 2015

To reach this state, as we've found in our research, there are some pockets of progress. However, the journey has only just begun and, frankly, there are some who have yet to realize that there is a journey to take. For most enterprises today, as our new study reveals, As-a-Service is still largely a pipe dream, with seven-out-of-ten major \$10B+ enterprises viewing at least a five year plus timeframe before they have made the leap to As-a-Service with their core enterprise processes (see Exhibit 2).

Exhibit 2: Major Enterprises Are “Kicking the Can Down the Road” When It Comes to As-a-Service

How quickly will your core enterprise processes be delivered “As-a-Service”?



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

Service buyers, advisors, and service providers need to take a hard look at what they want to achieve and how these ideals can help them get there. Then they need buckle down and commit to new levels of collaboration and get creative with investments in resources and partnerships to simplify and focus.

Making a Way Through the Haze of Change

Every journey needs a destination and a map. In the case of global services and operations, the destination—the North Star—is an agile, collaborative partnership that impacts business outcomes in a measurable way. With the North Star in the cross hairs, we as an industry can map what it takes to get there. This map will look somewhat different for every business, which is what makes that business unique and competitive, but these Eight Ideals can play a role in directing a successful effort. In this research we look specifically at these Eight Ideals and explore:

- » Where are services buyers, advisors, and service providers on the journey to the As-a-Service Economy?
- » How are they undertaking the journey to get from legacy outsourcing to this destination? What's helping and what's keeping them from making progress?
- » What actions and capabilities—technology, talent, partnerships, executive leadership—will be needed to realize the As-a-Service Economy?

Key Study Highlights

In this report, we explore the progress, challenges, and opportunities of the As-a-Service Economy using the framework of the Eight Ideals. These insights are based on research including forums, interviews, and a survey of more than 700 sourcing industry stakeholders including service buyers, advisors, and service providers. The objective is to align our industry in the effort to move away from doing lots of labor arbitrage and transaction processing to something more collaborative, entrepreneurial, and value driven.

Key findings of the study include:

- » **Large enterprises kicking the can down the road:** Seven-out-of-ten enterprises over \$10 Billion in revenues do not expect their core enterprises to be delivered As-a-Service for at least another 5 years. Major enterprises still believe they have mileage in the traditional labor arbitrage model. There is clearly an absence of a burning platform—or capability—to drive change in the foreseeable future. Two exceptions: healthcare and life sciences organizations that have exhausted this model, and enterprises under \$10bn. Small and mid-sized enterprises (SMEs) are often less resourced and have fewer opportunities with the labor arbitrage model, having less operational scale. As-a-Service provides an opportunity for these companies to be more nimble and grow quickly, as seen in industries like music and transportation where smaller companies with little infrastructure are disrupting established players.
- » **Smarter analytics, automation, and proactive operations staff hold the keys to As-a-Service:** Half of enterprise buyers see these three ideals as having massive impact if combined and put into action today. Yet, the survey shows a lack of definitive investments into analytics and robotic process automation (RPA). One-in-three buyers has no plan around analytics, and very few buyers are investing (yet) in RPA, which is a necessary precursor to having streamlined, reliable data sets to work more effectively with analytics.
- » **Leaders want change, delivery staff do not:** There is a huge disconnect between leadership ambition and operation execution—53% of operations leaders view As-a-Service as critical compared to 29% of middle-managers and delivery staff. Senior leaders expect to make significant progress towards As-a-Service in two years, while their delivery staff are much less confident. Moreover, only one-in-four are buyers are actively addressing their talent shortfall or looking to appoint a dynamic transformation leader. The role of the As-a-Service provider will become critical to combat the inertia.
- » **Service providers are much more tuned in to the importance of As-a-Service, and many believe they are already operating in this model:** Eighty-three percent view it as critical, compared to 35% of enterprise buyers. This nucleus of forward-thinking buyers, though, is critically evaluating service providers and willing to leave legacy contracts to align with visionary service providers. A crunch is going to happen with senior leaders strongly favoring switching out their legacy providers. Senior leadership has lost confidence in their providers' abilities to evolve from the legacy model, with six out-of-ten ready to replace them to achieve their desired As-a-Service end state. The emerging new breed of As-a-Service centric service providers could change the landscape.

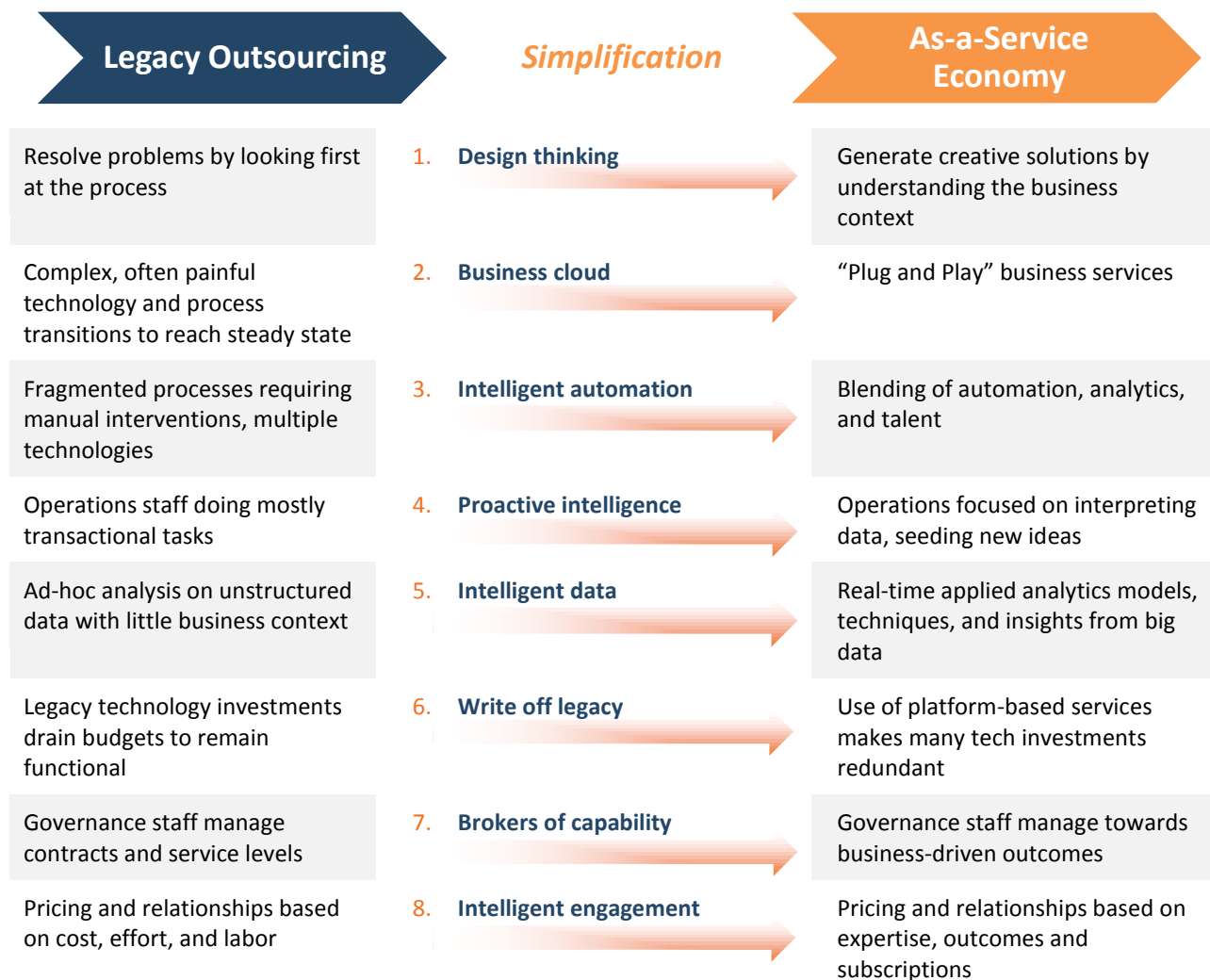
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- » **More lipstick on the same old pig as service providers prioritize marketing over domain investments:** Most service providers (45%) are overly focused on marketing and tweaking their existing delivery teams than making real investments in platforms, technologies and outcome driven revenue models. Only 33% believe cannibalizing short-term revenues to deliver As-a-Service solutions for their clients would differentiate them as an As-a-Service provider.

 - » **Business Cloud holds the most promise of any of the Ideals for delivering new value “As-a-Service” in the sourcing industry within the next two years based on current investments:** One in four buyers (27%) believe they will see significant progress from current investments in “plug and play.” Forty-four percent of senior executives would be willing to write off IT legacy investments and move straight into the cloud if they could find the solution that gave them speed to value.

Part 1: Eight Ideals of the As-a-Service Economy

It's time to move service delivery and operations from labor arbitrage and transaction processing to something more value-oriented in the As-a-Service Economy, as offshoring increasingly becomes commonplace and standardized global delivery of transaction processes is the standard offering of most service providers. That "something" is what we at HfS describe using the Eight Ideals of the As-a-Service Economy, as seen in Exhibit 3.

Exhibit 3: The Eight Ideals of the As-a-Service Economy

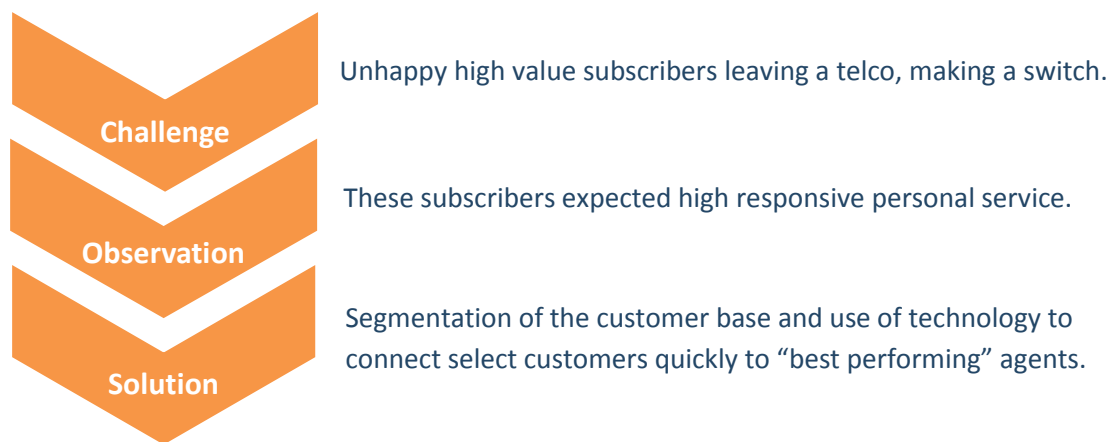


Source: HfS Research, 2014

The Eight Ideals, further described as follows:

1. **Design thinking:** In the context of sourcing, “design thinking” is about not just looking at the process but “beyond the process.” It is about understanding the wider context, environment, and business intent that business processes support, and defining what an approach or solution should look like. In the “old world” of outsourcing, many service providers shopped a set of services, and looked to match them to something in their clients’ lists of requirements and problems to solve. Clients looked for something that was familiar, but cheaper and more reliable. The point was to carve out a process and apply lean, Six Sigma principles and labor arbitrage to drive efficiencies and savings, and then track the red-yellow-green indicators. It worked to drive out cost and inefficiencies. Then this approach hit a wall. “Green lights and red faces,” as one service provider executive describes it. “Even though the results were showing service levels getting hit, there was a feeling of wanting... more, something different.” Addressing that feeling requires a better understanding of the business context. It’s not necessarily about solving problems, but it’s also about finding problems. It’s about observing, empathizing, and understanding—about even getting a little more “touchy-feely” about business, too. It’s one thing to be creative or bring tried and true best practices to a new situation; it’s quite another to discuss them in a shared understanding of the end consumer and the business at hand. Design thinking changes the nature of sourcing design and delivery, but requires both parties to be equally involved and cognizant of each other’s capabilities, willing to experiment, and committed to a particular business outcome to impact.

Exhibit 4: Design Thinking in Action at Accenture



Source: Accenture, 2015

2. **Business cloud:** Cloud-based offerings are slowly chipping away at the glacier of on-premise ERP and other legacy technology systems and applications. After years of stories about cost and complexity in implementation, transition, and maintenance of on-premise systems, there is power in the “plug-and-play” story of software and business process As-a-Service. Many service providers are combining business process capability with software-As-a-Service offerings to create faster, more seamless

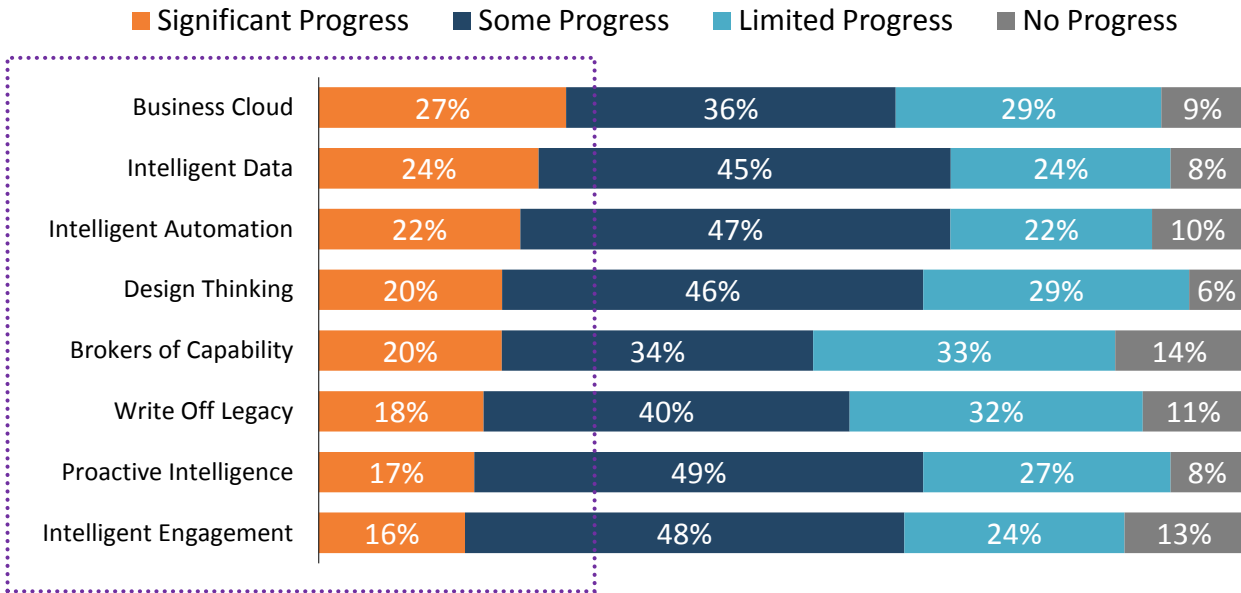
starts. For example, a service provider in healthcare has put together an offering with nurses, established processes and protocol, and a call center platform that can be up and running to support care management for new networks in a matter of weeks. An HfS survey revealed that around one in four respondents has business-process-as-a-service (BPaaS) up and running or under evaluation in HR, industry specific areas, and F&A. Many others are interested but don't see the plug-and-play option yet available for their business need. After the painful experience with on-premise ERP, are service buyers ready to go with a more rigid standard and forego the customization they drove into ERP implementations? What we are hearing from buyers in industries like media, communications and high-tech that need change fast is “yes.” “From a governance standpoint,” said one service buyer executive in the industry, “we need to stop worrying about how this tool works behind the scenes and be more focused on the outcome. BPaaS allows me to do that—less time in the weeds and more time on the output.” Current investments in business cloud are expected to make the most significant progress in realizing the ideals of As-a-Service within the next two years (see Exhibit 5).

“...we need to stop worrying about how this tool works behind the scenes and be more focused on the outcome. BPaaS allows me to do that—less time in the weeds and more time on the output.”

- VP, Governance, Media Company

Exhibit 5: Progress Expected within Two Years of Current Investments

Based on your **CURRENT** investments and services relationships, how much progress do you expect your organization to make to achieve these “As-a-Service” ideals over the next two years?



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

- Intelligent automation:** Fragmented, repetitive, highly manual and mundane processes can quickly be eliminated or automated these days. Automation is the first building block to getting away from the old wage-based labor model. There are a number of software products on the market now to use, and some have been proven to be fairly easily to learn. Yes, jobs are being changed and eliminated. Companies and people are adapting. We’ve seen examples of some people taking on roles to define and manage the robots, or shift their focus to addressing different tasks and activities. The business case for RPA is quickly shifting from strictly cost take out through replacing FTEs with software robots to often include retooling, redeploying, and retraining employees, at least those who are interested. In tandem, automation is moving to be more closely associated with analytics. Analytics is most effective after processes are streamlined, standardized, and automated. The automation is then producing higher quality data and more reliable data sets, and employees can start to use it more effectively to drive insights and further apply technology to move into machine learning and cognitive computing. That’s intelligent automation. As an industry, we have a long way to go before automation is effectively integrated into platforms and working across processes end to end. Our research (see [RPA on the Cusp of Disruption](#)) shows that in early 2015, only a handful of enterprises have it pervasively implemented (4% of survey respondents). A surprisingly *low* percentage of operations leaders—less than one in five (see Exhibit 5)—expect to achieve intelligent automation in the next two years based on current investments and relationships.

“I want a partner to challenge me to go where I’m not”
- Senior Program Manager, Insurance.

In many cases today, we are hearing of “spot” uses of automation to address a process. What’s not as pervasive is automation of end-to-end processes or full integration in platforms. It could happen faster simply due to the focus on incorporating automation into transformation and migration efforts. One interviewee mentioned that as they do a massive Oracle implementation with little customization, it is forcing the standardization needed to make automation effective, and thus automation is becoming an integrated part of the process, infrastructure, and culture. The momentum towards the blending of automation, analytics and talent is definitely underway.

- 4. Proactive intelligence:** In more mature sourcing engagements, operations roles are changing from being strictly transaction oriented to also interpreting data and seeding new ideas. Service buyers have increasing expectations for relevant input and feedback from their service provider partners. As an executive in an insurance organization said, “I want a partner to challenge me to go where I’m not.” An increasing number of service providers are investing in training to deepen their employees’ ability to “do more with the data” — 53% in the latest HfS survey on talent, versus 22% of respondents two years ago. Since effective interpretation means understanding context as well as process and use of tools, training and education programs cover the spectrum of depth in functions and industries as well as approaches to communications and innovation through internal and external programs, including partnerships with software providers and universities.
- 5. Intelligent data:** By running transactions, BPO employees have been touching data since day one. In the past few years, a number of service providers have taken steps to run ad-hoc data analysis and look for insights and ideas to share back with their clients. The circle is widening, though, and the definition of “client” also now includes the clients’ customers as many markets shift or expand from business-to-business to business-to-consumer operations. At the same time, services buyers are dealing with multiplying amounts of data from multiple sources, complicated by acquisitions and divestitures, and the need to “get to market faster.” All industries need data consolidated, need it to be higher quality, need reports and insights more readily accessible. As a finance transformation executive said, “we continue to carry a heavy amount of manual intervention in accessing data and creating reporting... there is no corporate wide database and it is all in different places and aggregating and pulling it together is time consuming and inefficient.”

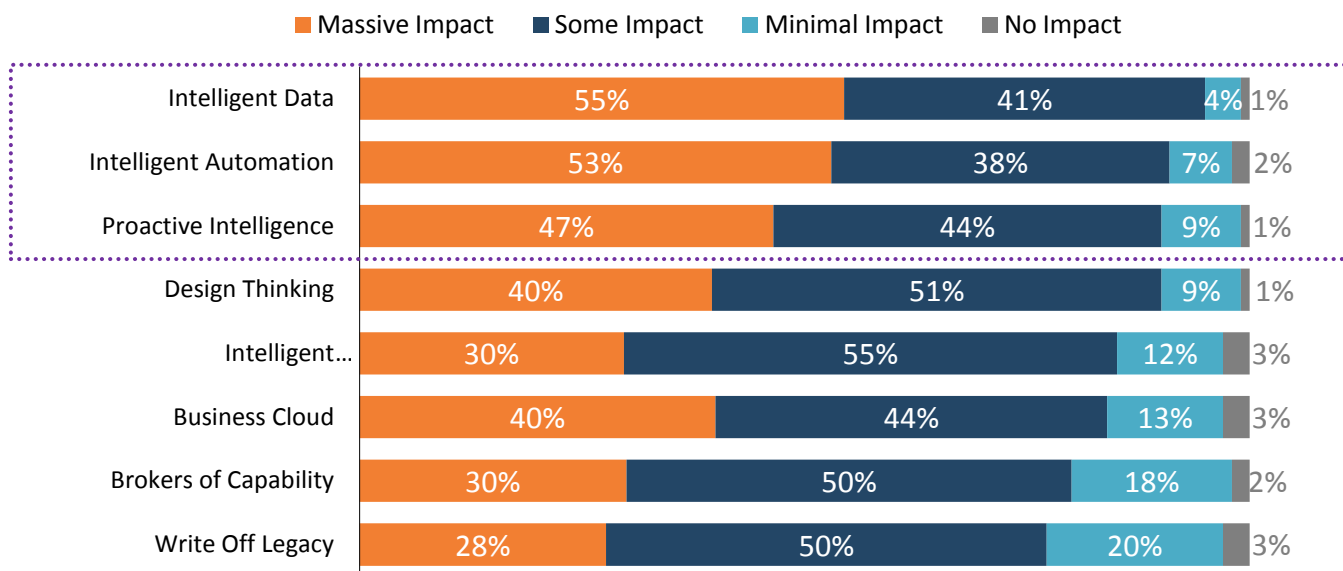
With Smarter Analytics and Automation, Proactive Operations Staff Hold the Keys to As-a-Service

This combination of “data-driven ideals” would drive the greatest impact in achieving business outcome focused impact through sourcing if in effect today (see Exhibit 6). There is a great opportunity now to bring together the capability and tools that service providers have developed with the clients’ internal resources and context to address the significant challenge in many businesses to collate and interpret data real-time. As HfS has observed, “The critical juncture is where the service provider and buyer have figured out how the

service provider can maximize the use of available data, technology and skills base together in a way that provides insights that really matter to the business, with context and impact” (see [Analytics Services Trends](#)). We are starting to see the sea change, which is getting away from unstructured data sets and more on real-time analytics models. As a buyer recounted, “I led a cross-functional team to develop and execute a marketing roadmap for customer lifetime value with [service provider] as a partner...they critically helped sell the concept of doing this to our CFO, and always presented arguments in ways that different stakeholders could understand to get buy-in.”

Exhibit 6: Data Driven Ideals Would Drive Greatest Impact Today

In terms of business value, how much impact would each of these Eight Ideals of “As-a-Service” have on your organization’s performance, if they were in effect today?



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

- 6. Write off legacy:** Legacy technology investments are a huge drain on the budget. When do you call it a day and write something off as technical debt and look at platform-based services that can take you into a different layer of business value? A small but growing number of enterprises are realizing they need to replace or even abandon their legacy systems and services, and are preparing to make the shift, with media, technology, healthcare and pharma in the lead. One in five buyers, according to our “Ideals of As-a-Service” survey, has definitive plans to invest in IT talent that will help the organization migrate away from legacy systems. With clunky old systems that make it difficult to interoperate between healthcare organizations and access data—all critical to driving better business outcomes—it’s no surprise that two-thirds of healthcare and pharma participants said what would help them reach the desired As-a-Service end state was to “write off legacy IT investments and move straight into cloud delivery of processes supported by an

As-a-Service partner.” Regionally, APAC fits into this model as well, with less sunk cost in legacy systems giving companies in this area potential for leading the way.

7. **Brokers of capability:** In the earlier days of outsourcing, the critical hire was the governance (service buyer) or account (service provider) leader who had the experience to manage a contract and deliver quality services that hit the service level target—someone who had “been there and done that.” While there is still a need to do this, the overwhelming theme we are hearing from service buyers and service providers alike, as described in “[The BPO Profession in 2015: Today’s Accidental Career Path, Tomorrow’s Capability Broker](#),” is the need for making the pieces work together. In other words, how to tap into the capabilities internal and external to an organization and facilitate collaboration to define and solve a problem. These four ideas bubble to the top of the list:

- Critical thinking and problem solving
- Creativity
- Data modeling and scenario building
- Industry/functional context (e.g., health care, banking, accounting)

Taking these insights to heart, we see service buyers and service providers redefining and refreshing capability development, jobs, and career paths. For example, the global procurement services manager of a hybrid sourcing operating model within a multi-billion U.S. manufacturer was recently asked to lead a “job role transformation effort” that redefines the roles within the service center, including interfaces to the business units and third party providers. At a healthcare payer organization, the vendor management and procurement operations have been centralized into a global business services organization where they can manage relationships and business services more holistically. They are creating a “job family.” And at many organizations now, global process owners work within a consistent governance framework overall but collaborate with their counterparts at the service provider to find and address better ways to get something done, whether it is, for example, automating a process or eliminating it altogether. In tandem, many service providers are redefining the account management role to incorporate a more consultative and solution architect capability.

8. **Intelligent engagement:** How do we get away from stuffy labor based cost models to something more value oriented and subscription based? There is a slow and steady movement away from pricing and contracts based on cost, effort, and labor and towards expertise and outcomes. It’s a bit like leasing a car. Everyone likes to lease a car. After three years, you lease another car because the standards, bells and whistles, and capabilities have all changed. And it’s happening even faster now in both the car and sourcing industry alike. Contracts also need to be flexible enough to recognize and enable constant evolution and how to get the most value out of an engagement. We are hearing that engagement discussions often include references to increased flexibility and outcomes based approaches, but that these good intentions, almost as often, get lost in contract structuring. A core issue is the lack of trust, which cannot be replaced by a set of rules and guidelines, policies, procedures or scorecards. Trust emerges over time, as do the most forward thinking and ambitious engagements. Our research has shown that the most critical elements of trust are collaboration,

transparency, and honesty. These elements require a certain level of active listening and interaction, knowledge of the business and priorities, and flexibility to shift as the tide changes.

The thread that weaves all of these elements together is collaboration; the needle that pulls the thread is strong, aligned, creative leadership. Many service buyers, advisors, and service providers still need to up the game on being engaged in the true spirit of a partnership—understanding each others' intentions and business context well enough to share in the definition of both the problem and the architecture and delivery of the solution—and in an iterative process to get more value out of sourcing engagements. It's not a "one and done" or solely a "red-yellow-green" rating system, although scorecards certainly play a role in being able to define and celebrate success. To get real value—the definition of which is relative and never stays still—the partnership must have real and relevant collaboration. This means changing the nature of the relationship and the people involved as needed for relationship management because it requires higher levels of trust and collaboration. This also means also knowing when to say no. At HfS we are hearing more service providers saying they are willing to withdraw from a process or be more selective about an RFP pursuit to stay within a more narrow definition of a fit for business. Enterprise buyers are also taking a harder look at their provider portfolios and weighing the value of the long term relationship over the short term. As the As-a-Service Economy takes shape, depth of expertise and capability will trump breadth.

Part 2: Simplification: The Lens through which We Will See the Burning Platform

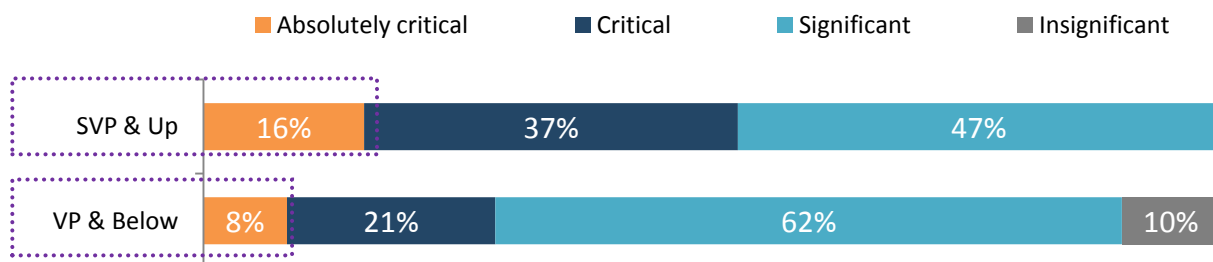
It's one thing to talk about the business benefits that await ambitious enterprises once they make definitive plans to go down the As-a-Service path. It's another thing entirely to assess whether they truly recognize the burning platform to take themselves through this period of pain and complexity to get there.

The study reveals some startling home truths as to what's likely coming next, and our major fear is for those professionals sitting around literally waiting for change, as opposed to squaring up to the commoditization and automation of legacy processes to provide their firms with new ideas, new ways of doing things and adding value, beyond simply keeping the operational lights on.

One alarming trend coming out of this new study is the sheer delta between the desire to change the model from business leaders (SVPs and above) and their middle-managers and below (see Exhibit 7).

Exhibit 7: Leadership Has the Desire to Drive the Change, not the Operational Layer

How significant do you see the "As-a-Service Economy" for your organization?



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

The Middle Layers and Down Need to Step in to Shape – or Step Out of – the Picture

Why is it that over half of senior managers view As-a-Service dynamics as critical, while only 29% of their teams under them feel the same? Answer—most people are comfortable with their daily grind. They stare at metrics on spreadsheets, ensure exceptions are handled and keep the corporate engine running. They turn up at meetings and say all the right things, avoid challenging the status quo (while acknowledging there can always be

improvement), but deep down have settled for adequacy and a steady treadmill drumbeat of efficiency without too many fireworks or drama.

Why would they want to learn how to collect and interpret data more intelligently? Why would they want to find problems, as opposed to solving them when they crop up? Why would they want to mimic manual processes into scripts to have them run robotically, when they can patch over these inefficiencies with cheap offshore labor? Why would they want to explore the potential of artificial intelligence and self-learning computing capability when they can just do these things themselves (or at least pretend to do them)? Answer—they have no burning platform to change the way they do their jobs.

But there is one significant burning platform that will burn them, if they are not willing to adapt to the As-a-Service world: they will be irrelevant in tomorrow's corporation. They may be lucky and survive in legacy organizations that can get away without changing, or they may be in their late 50s and only care about lasting a few more years until retirement. For most, if they cannot adapt to As-a-Service, their bosses will shift them out and either replace them with a service provider employee, or simply phase out their legacy job, as it was not really needed anymore.

The As-a-Service Economy Is Forcing a Shift from Efficiency to Capability

In many cases, service providers are not providing much more than basic operational offshore-centric delivery. However, that's usually because it is all these clients demanded when they ventured into using external services to drive out cost—and the reason why they selected service providers to provide operational efficiency, as opposed to plugging critical capability gaps.

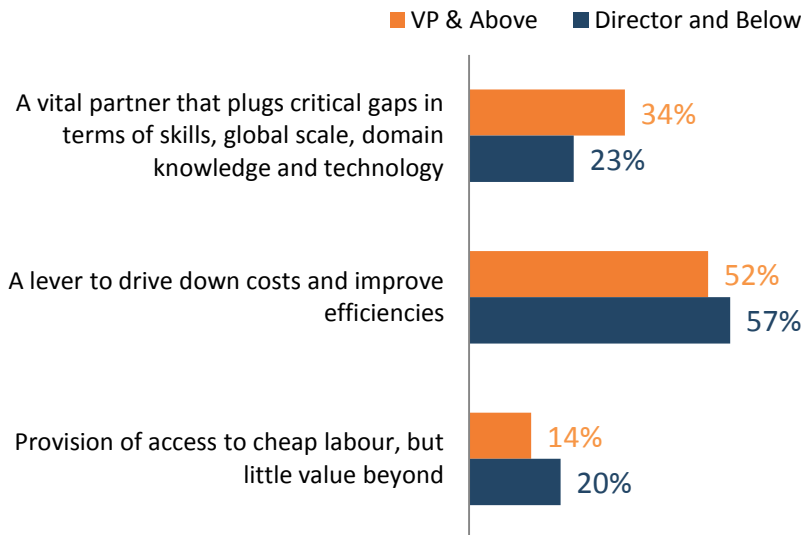
We all know the initial benefits behind outsourcing are quickly forgotten as the C-Suite turns to its operational leaders to demand continual productivity gains and value. However, the motivations from leadership are not changing, but rather the means by which to satisfy the C-Suite's insatiable thirst for running the enterprise as cost-effectively as possible. This is the very essence of the As-a-Service Economy—finding new ways and means to run businesses as efficiently, intelligently and flexibly as possible.

However, while a company's leadership is always biting at the heels of its operational leadership to keep driving out cost, the resistance coming from the middle layers and down is clearly becoming a pressure point as enterprises realize they have to go through a more radical, painful period of transition as the As-a-Service Economy slowly becomes a reality.

As research we conducted earlier this year clearly demonstrates (see Exhibit 8), over half of enterprises today only view providers as brokers of efficiency as opposed to capability.

Exhibit 8: Service Providers Must Prove to Decision-Makers They Can Do *More* than the Basics

So, what do you really think of service providers today?



Source: HfS Research Value Beyond Cost Study, 2015
 Sample: Enterprise Buyers = 168

The good news for service providers today is that a very small proportion of service buyers views them negatively as low cost body shops (this would have been a lot higher just a few short years ago). Yet, most service providers are stuck in this middle ground, where their clients only want and expect a service designed to scale their operations and help them reduce costs. A third of the more senior managers (VPs and above) do view service providers as genuine capability partners—and that’s actually pretty good, provided the right providers can figure out how to work more with these senior people to explore value-driven relationships.

At HfS, we believe two things need to happen to break away from this stagnation:

1. Service providers seeking to deliver value beyond cost reduction need to have a more intense dialog with that growing proportion of senior service buyers who view them as genuine capability partners;
2. Service buyers must recognize this genuine burning platform to shift gears from Efficiency to Capability.

One example of this shift to a more agile capability-driven global business services approach is at a large global manufacturer where the global business services lead continually reviews the requirements of the business, and the capabilities of the in-house service center versus the capabilities of the portfolio of service providers. She’s looking for opportunities to cross train to smooth out peaks and valleys in demand (for example during end of year healthcare enrollment), shift activities to better match capabilities, and share best practices both to create competition and collaboration, but with a shared culture.

Service Providers Failing To Invest in As-a-Service Delivery Run a Serious Risk of Becoming Obsolete

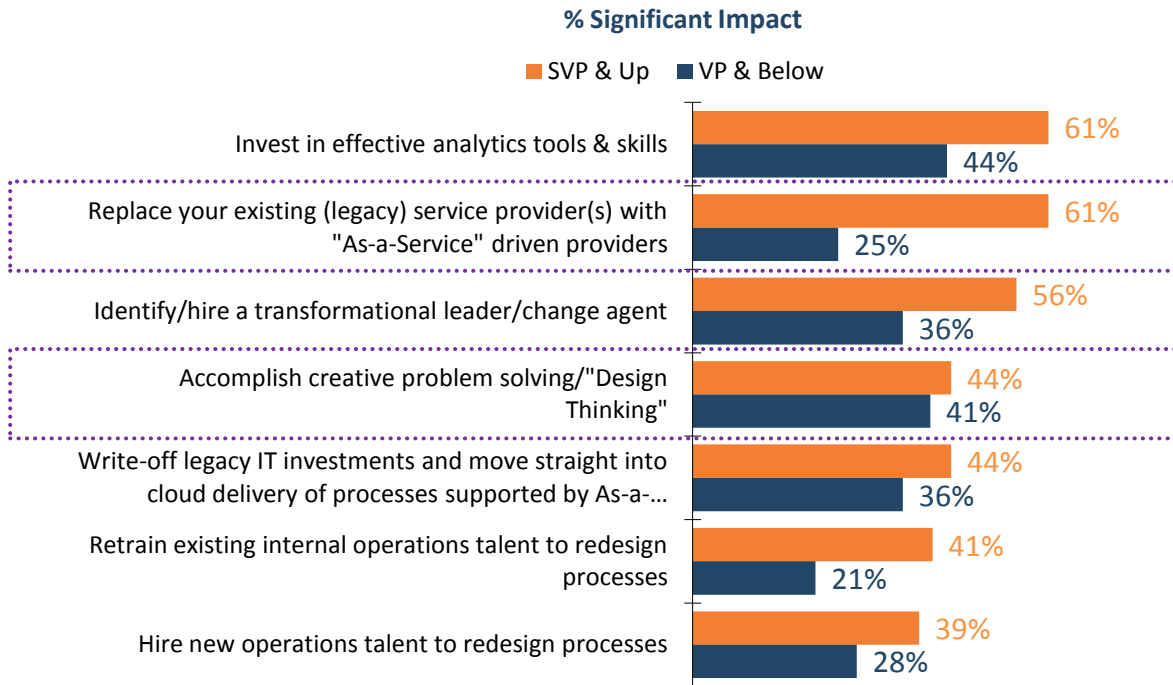
When we look at the impact of this burning platform on service buyers, we also need to consider the impact the emergence of the As-a-Service Economy is having on service providers. As Exhibit 9 clearly illustrates, if the major decision-makers (SVPs and above) fail to see real As-a-Service progress made by their existing service providers, six-out-of-ten believe replacing said providers would have significant impact on smoothing their progress towards their desired end-state. Although only 25% of their more junior subordinates view replacing their service providers as having a drastic impact, the frustration at the senior levels over failed promises and lack of progress away from the legacy model is abundantly clear.

“We have lost hope that this relationship can develop into anything much more than a low value, operational experience for us.”

- Finance Delivery Lead, Major Consumer Products Enterprise

Exhibit 9: Decision-Makers Willing To Dump their Legacy Service Provider Relationships

How much impact would the following actions have on helping you reach your desired “As-a-Service” end-state, if you were to make them today?



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

The results plainly illustrate that the enterprise decision-maker are losing patience with their service providers that persist in maintaining the status quo. Most of the respondents at the SVP and above get involved at the service provider selection phases of operations and IT engagements and have long memories when it comes to failed promises. According to one senior finance executive at a major global consumer products enterprise, “When we

“The pressure is on us to find new ways to create value and demonstrate it to our leadership.”

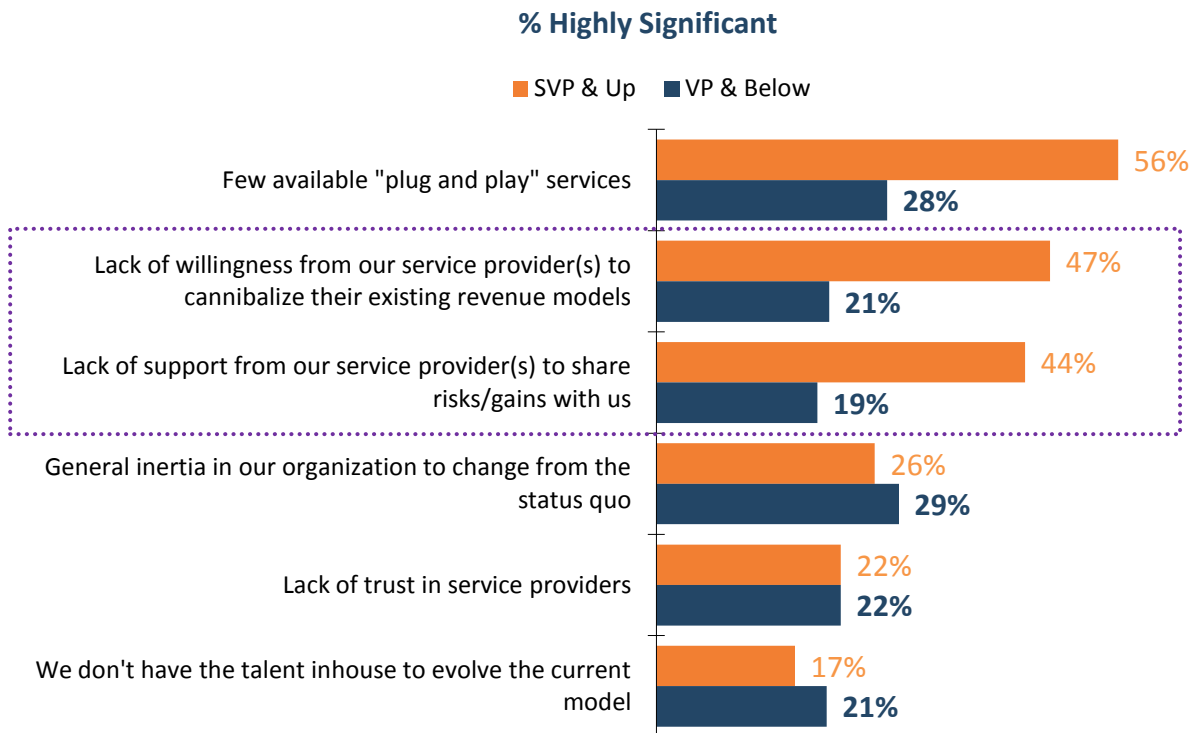
- VP of IT for a Global Manufacturer

selected the service provider, we were promised all sorts of productivity initiatives, real experts to come in and help with process transformation and a genuine impact on how we ran our finance operation. Instead, we are going around in circles trying to work with them on basic operational issues. We have lost hope that this relationship can develop into anything much more than a low value, operational experience for us. At some stage we may be forced to take a serious look at alternative means, such as moving more work back in-house, or finding more transformational service partners.”

Delving deeper into this issue of the apparent lack of trust senior executives have in their service providers' investment intentions, we also asked the service buyers what was holding back their enterprises' advancement into the As-a-Service Economy. Exhibit 10 makes clear their viewpoints that close to half of today's service providers are failing to convince client decision-makers that they are making the real investments to evolve to As-a-Service and make any short term sacrifices ("cannibalization") in their revenues (47%), or share gains/risks (44%) to help them.

Exhibit 10: Senior Leaders Have Negative View of Providers' Willingness To Change the Legacy Model

How significant are the following obstacles in holding back your enterprise's move to the "As-a-Service Economy"?



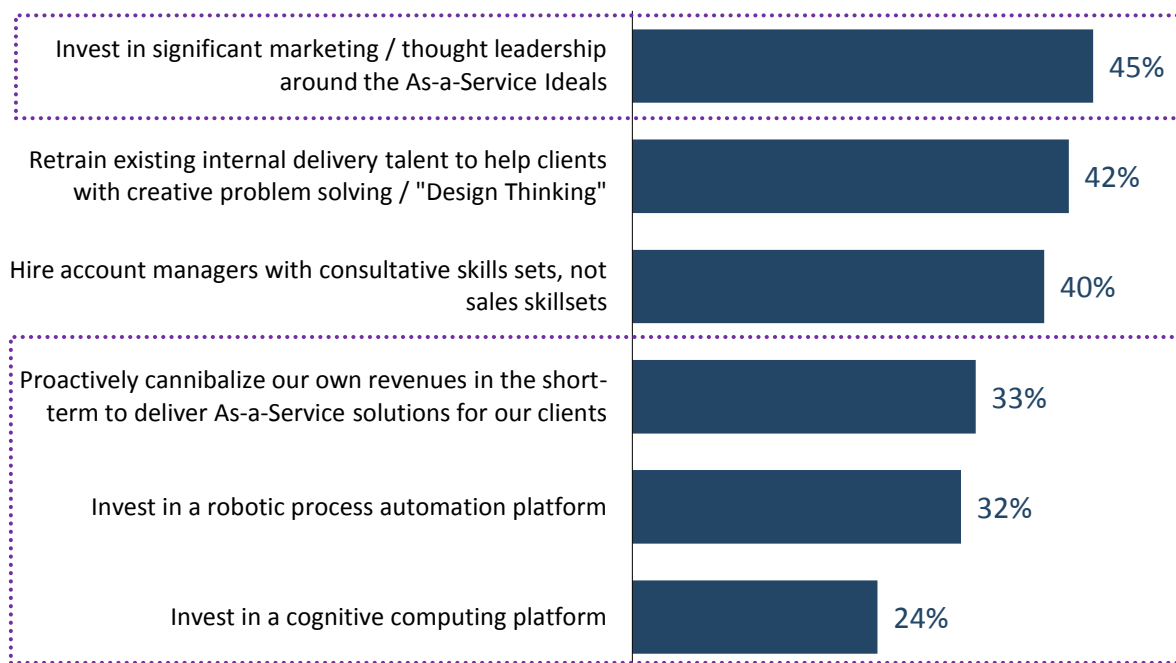
Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

It's clear to us that leadership no longer appreciates the cost savings that arise from moving operations offshore. The CEO isn't turning around to his or her CFO or CIO with the message "that was a great 30% we saved from our bottom line back in 2010, let's just keep enjoying it." It is the opposite. According to one VP of IT for a global manufacturer, "The pressure is on us to find new ways to create value and demonstrate it to our leadership. Finding cheaper locations is no longer enough, and becoming increasingly challenging as the low level work is mainly optimized offshore today. Now we are having to explore better automation, more creative process design and better outcome-based initiatives with our provider."

The common issue impacting the whole service industry is one of motivation from buyers and service providers to make the investments required to change the old model. Clearly many enterprise leaders want to keep driving efficiencies and are not content with the overall cost and performance of their operations—they know there are many more productivity gains to be made. Their issue is a layer of middle management (and below) that has no burning platform to do anything different than keep the lights on. Service providers are very content to keep banking their revenues from predictable, arbitrage-based services. The only way this cycle of adequacy can be broken is when enterprise leadership demands change, both internally and with their service partners, to help get them move toward As-a-Service. That means service providers have to do more than invest in marketing, as Exhibit 11 clearly illustrates.

Exhibit 11: Most Service Providers Prefer Marketing to Solution Investment when it Comes to As-a-Service

Which of the following actions would most significantly differentiate your firm as an “As-a-Service” provider, if you were to take them today?



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

Most provider executives (45%) want the nice glossy magazine ads, website banners, white papers, airport billboards, webcasts etc., more than anything else. Barely a quarter (24%) want to *invest* in a cognitive computing platform, a third in robotic process automation, with a similar number wanting to see their firms proactively cannibalizing their own legacy revenues to develop As-a-Service solutions for their clients.

However, service providers do view upgrading their talent as a higher priority than investing in new technology, with 42% prioritizing the retraining of existing delivery teams with Design Thinking skills, and 40% bringing in consultative talent from outside.

At HfS, we view this data as a cause for concern. Most service providers want to talk a big game more than having the real chops to prove it. It's just like it was ten years ago when most providers were selling low cost offshore engagements under the guise of helping clients with genuine "transformation." Worryingly, today it seems that far too many service providers are selling a more mature offshore delivery scenario under the wrapper of genuine transformation, when they are really "Brokers of Efficiency" (see Exhibit 8).

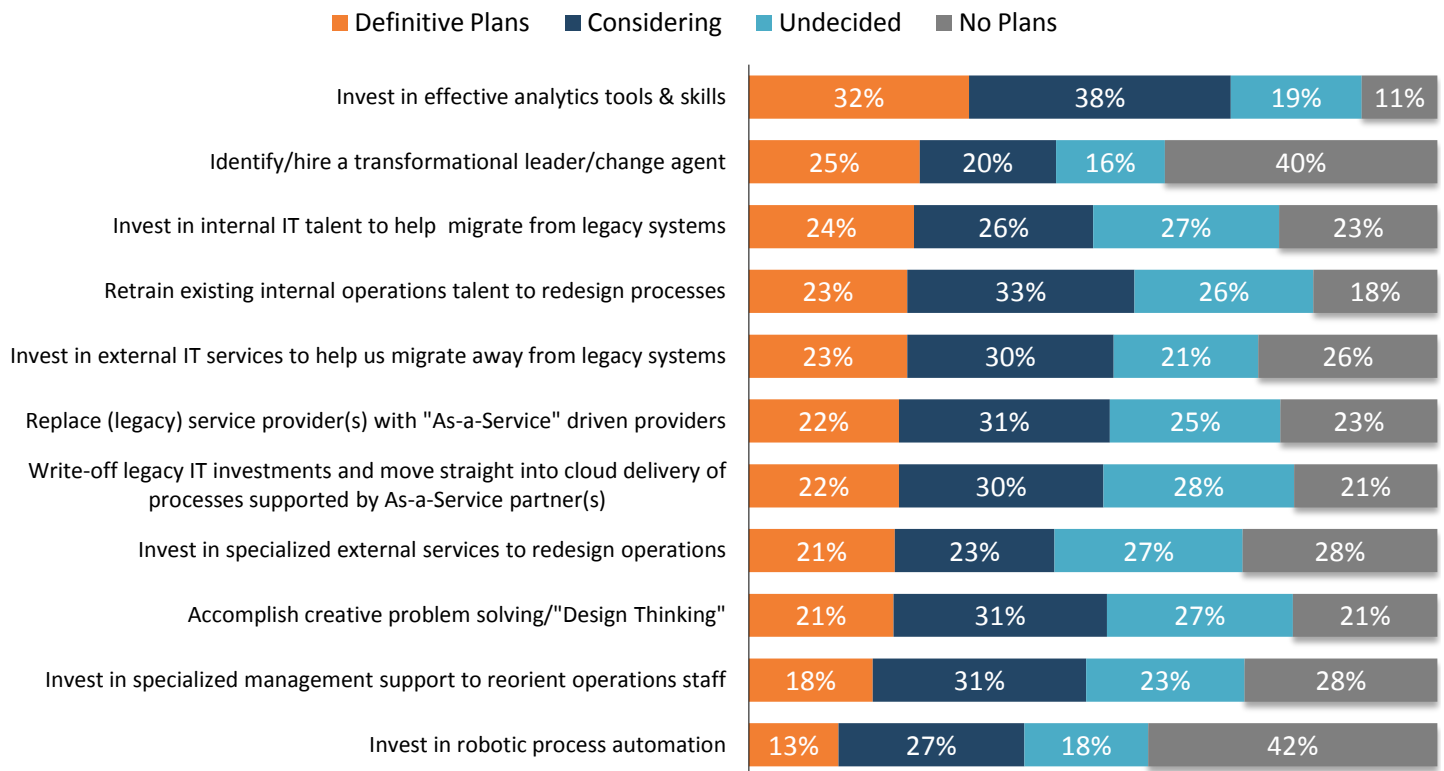
Our concern, today, is that we've become so obsessed with thought leadership and big ideas that we're losing touch with reality. What's more, it's almost impossible to distinguish among most of the service providers—they all have a digital story, an outcomes strategy and some form of robotic process automation game plan. We can't continue in this vein for much longer. What we need is hearing from the clients who are actually investing with their providers. We need to hear about the incremental steps and investments providers are making with their clients to start that long transition from legacy world to this far-off As-a-Service nirvana.

We Owe it to Our Delivery Staff to Give Them the Hard Truths—the Platform Is Already Smoldering, even if They Can't yet Smell the Smoke

The changes coming to our world are significant—and not dissimilar to when coal mines were displaced by nuclear power plants, when car plants, which used to employ 5,000 people now only need 300. Operations are becoming standardized, moved into the cloud and automated robotically. If we can't realign our staff to accept this reality and expand their capability horizons, many will be forced to pursue alternative careers that may be in a very different industry or enterprise function. We don't need a burning platform to drive this change as it's already on fire. Many of us simply haven't yet realized it, as seen in the lack of definitive plans for actions to drive change into the sourcing environment (see Exhibit 12).

Exhibit 12: Plans to Improve the Sourcing Environment

Do you have plans in place to execute on the following actions, over the next 24 months, to improve your As-a-Service environment? Answer = Definitive Plans



Source: "Ideals of As-a-Services" Study, HfS Research, 2015
 Sample: Enterprise Buyers = 178

Less than one-third of enterprise buyers have plans in place to invest in analytics skills and tools, fewer still will definitely be retraining and realigning staff and only 13% will definitely invest in robotic process automation. Yet these three were the key elements determined to drive the most progress in the Ideals that would have the greatest impact—Intelligent Data, Intelligent Automation—if they were in place today (see Exhibit 6).

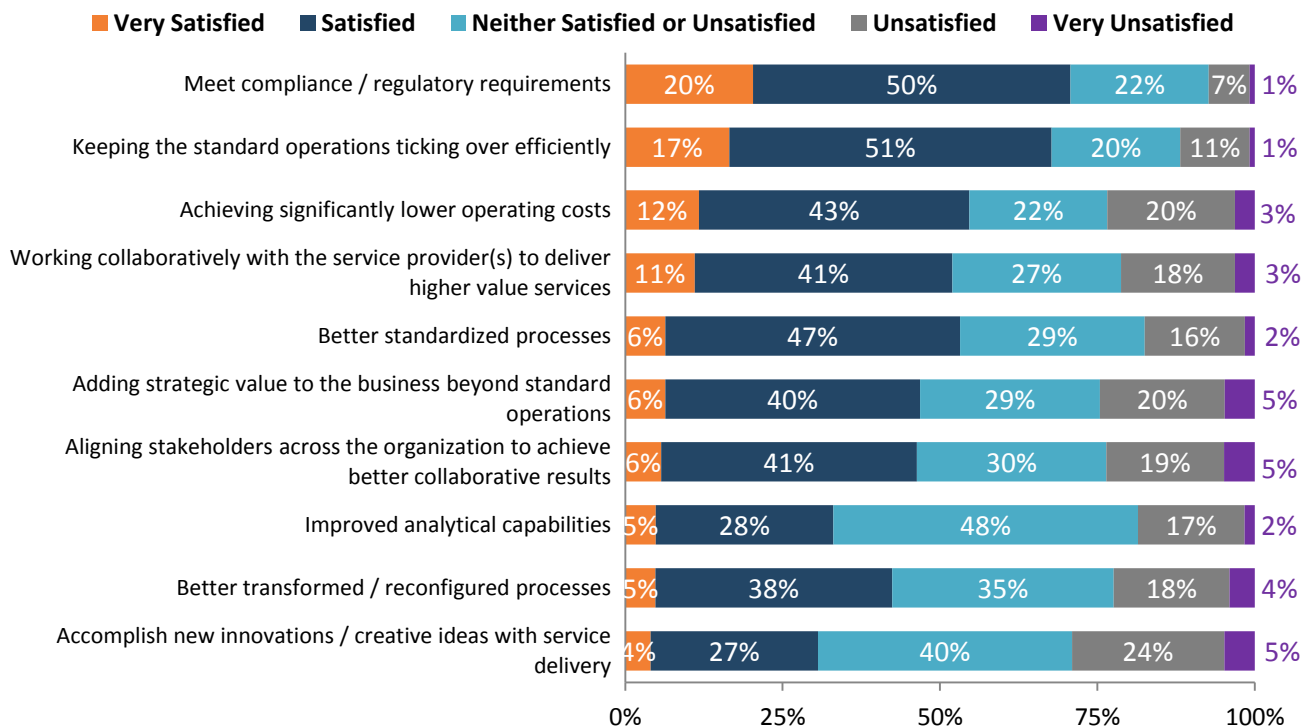
Part 3: Empowering Talent: The Focus Shifts from Skills to Capabilities

The biggest issue impacting buyers, service providers and advisors in the industry today is the challenge of not only broadening the skillsets of delivery staff and leadership, but also changing their mindsets and capabilities.

Our annual State of Outsourcing study clearly reveals two-thirds of operations jobs are now under threat if staff fail to realign their capabilities (see Exhibit 13). Simply put, barely a third of enterprises today are actually happy with their internal talent’s ability to drive positive outcomes from their analytical and creative capabilities in their current outsourcing engagements.

Exhibit 13: Two-Thirds of Enterprises Lack “As-a-Service” Skills

How satisfied are you with your internal talent’s ability to achieve the following business outcomes with your current outsourcing engagement(s)?



Source: HfS Research State of Industry Study, 2014; Sample 312 Enterprises

This is nothing new. Organizations have been trying to reduce their labor costs for centuries, but something feels very different about the emerging reality in which we operate. Many of us believed the onset of web technologies would be the big game changer with how we utilized labor, but it actually increased our reliance on humans. Many

business processes became web-enabled, which necessitated training on new applications and helped us work more effectively, but they didn't fundamentally change how we operated. The web really just enabled us to run business processes the same way as previously, except with more global capabilities and much more effective communication and collaboration.

It was this earlier wave of digital evolution that enabled the great outsourcing boom of the last 15 years as communication costs plummeted and web applications made it possible to work with people anywhere/anytime. Although this initial web evolution helped globalize the workforce, it didn't have as much impact on how we could automate processes, mine vast lakes of data and embrace mobile applications to drive interactions across our employees, partners and customers.

We have entered an era where there is a real capability—and need—to change how we run our businesses, from back office transactional processing through to the front office customer interaction. We have tools and apps to target and interpret meaningful data, we are developing software solutions to automate and even robotize processes to mimic human tasks like we never could in the past. And we have all immersed ourselves in a mobile culture in which all forms of business are conducted on all types of devices and interfaces.

Even more importantly, cloud-based platforms are being developed which allow us to share these capabilities, re-invent the way we run services, and process transactions that require a lesser amount of human intervention and oversight.

As a result, the onus shifts to our talent to add value to their organizations in a way that is insightful and helps inform decisions; that is creative and helps try new ways of doing things, or targets new markets; that is innovative, where their organizations can find entirely new ways of competing, or developing unique products or services. Whether they work in finance, HR, marketing, procurement, IT, or supply chain, their job is to utilize digital technologies and platforms effectively so they can refocus their time to adding value, because the need for people to sit around and fill in spreadsheets all day is being gradually eliminated. People need to do a lot more thinking, and less executing.

It is less about having specific skills wrapped up in a nice box that can be marketed, such as "ABAP programmer," or "Vendor Contract Manager." It's more and more about being brokers of capability—people who can multitask across multiple disciplines and find business problems, in addition to solving them.

Part 4: Clearing the Smoke

Key Actions to Get to the As-A-Service Economy

In our research including the survey, interviews, and discussion forums, as we look across the Eight Ideals of the As-a-Service Economy, and across enterprise buyers, advisors, consultants, and service providers, the underlying theme to shape the path forward is the bringing together of talent and technology with business processes in a more creative and collaborative way.

A few specific actions that HfS believes will help to clear the smoke and get to the As-a-Service Economy, include:

- » **Create ecosystems focused on achieving a desired result:** For service buyers in shared services units, this involves a matrix of their own organization of stakeholders and capabilities as well as strategy, technology and business process service providers. “Trust in the buyer/service provider relationship has been out there forever in this industry. What I’m realizing is that what is harder is to get the trust of the stakeholders—the internal stakeholders,” said a client executive of a shared services organization. For service providers, we see it taking shape as partnerships with strategy and technology providers, industry leading subject matter experts, and niche capability providers, as well as internally across business units that have traditionally operated in silos that separate consulting, technology integration and application management, and analytics, for example. Integrating all of these pockets of expertise and capability will be critical to evolving into intelligent operations—operations that tap into the best capability despite the source. We have seen service providers like Accenture take a step in this direction with its organizational change that brings together infrastructure and business process outsourcing and taps into its strategy and analytics capability. Targeted and well-managed partnerships are also increasingly critical to achieving a more agile, business-outcome focused approach. For both service buyers and service providers, capability brokers play a critical role here. These are the people who can think outside the box and work collaboratively within and across organizations to identify and shape the business solution and map the right capability from the right organization, and help direct the investment plan most appropriately.
- » **Continue an unrelenting focus on business outcomes and align incentives with desired results:** Talking about business outcomes is no longer “new.” Being able to work together, like design thinking involving internal and external resources, combining software and services for an integrated solution targeting a specific business problem set, and aligning goals and metrics, are examples that will go a long way toward achieving better business results. As one sourcing executive observed, “We are entering into the phase in the industry where it is ok to say, I don’t know the answer. The key is to then bring the right skill sets at the table at the right time to effect the right result.” Getting increased value from sourcing means also aligning payment with performance, whether it is internally for delivery teams or between service buyers and services providers. It’s the old adage of what get’s measured gets done. But being able to define a sourcing contract that delivers against business outcomes is still a work in progress.

- » **Lead with design thinking to more clearly understand the context of business problems and design relevant solutions:** Design thinking, led by empathy—a better understanding of behaviors and motivations—helps deepen the understanding of the needs within the business or associated with the process. We have seen how some service providers are observing or participating or researching their clients’ industry and customer base in order to better understand the context. Empathy helps in the design of relevant innovative solutions, better services and increased quality of delivery. “We need to see the desired outcomes from clients and, in turn, their customers, as the lens by which to look at processes rather than the process itself,” as we’ve described in our research.¹ Consider it the “humanization” of Six Sigma or IT. Six Sigma is about eliminating waste and solving imperfections in the process, and design thinking is about stepping outside the process, understanding the environment as a context for identifying and solving business problems and evaluating how to best apply technology as a part of the solution.

“We need to see the desired outcomes from clients and, in turn, their customers, as the lens by which to look at processes rather than the process itself.”
- » **Reimagine the role of technology in business process:** The proliferation of digital and enabling technologies provides a number of options for developing a fresh picture or idea of what and how something can get done. Making a move off a legacy platform—writing off the old—requires a “net new” or full transformation effort, so there has to be a strong business case. But there are an increasing number of enterprises already using or evaluating business process-as-a-service, and others are saying they are not because what they are looking for, they are not yet seeing. For the service buyers, the advantage is in shifting to an operational expenditure model from a capital expenditure model, and focusing on delivering results versus managing the IT or software. For larger, established service providers, it means identifying technology applications to develop in-house for multi-tenant use or partnering with a specialized player and providing the business process capability around it. HfS has seen evidence of both of these approaches underway, based on the depth of service providers in industries and their heritage as an IT or BPO pure play. Regardless of where they started, all service providers must move to a more hybrid approach or be left behind. As one service provider executive suggested, in order to drive change within an established organization, senior leadership needs to find the “champion challengers” in middle management who will lead experiments to prove out the higher margin, revenue cannibalization approaches. A critical role in leading this move is the appointment of a CTO or CDO (Chief Digital Officer) to shape and action the technology vision within a service provider’s BPO business. We are also seeing it play out through roles and technology capability development within BPO and shared services organizations at both service providers and service buyers.

¹ “The 8 Strategic Tune-Ups Before Your Roadtrip to the As-a-Service Economy,” by Charles Sutherland, HfS Research, May 2015. “Empathy, A Cornerstone to Design Thinking with Analytics,” by Hema Santosh, HfS Research, June 2015.

- » **Realign the roles and opportunities for service delivery:** What’s becoming crystal clear in our ongoing research on how the sourcing world is shifting to “as-a-service” – flexible, interactive, and results oriented– is the critical role of capable people. As one executive recently put it at the HfS Blueprint Summit in Dallas, “it’s not about skills, it’s about capabilities.” While “skill” is the ability to perform a task based on knowledge, training, and practice, “capability” is skill + potential. The “+ potential” in this case is the ability to understand context and apply technologies to reimagine or re-shape business models and business processes for new results. What will be the Uber-type rethink that makes BPO an accessible ride-share service? The BPO industry grew up based on a skills-based model with a very few leaders managing a broad base of employees completing the task at hand effectively, period. While the combination of people, process, and technology has for many years been the vision for a complete solution, what’s changed now is the pervasiveness of technology to be used in the solutions and the maturity of capabilities and relationships that enable new ways of working. The capabilities most needed in the sourcing industry now are for identifying opportunities and driving business outcomes by architecting solutions through collaboration.² As a VP of Governance described it, “today’s job is more about how my internal customers look to me as outcomes-based, and how we can set up the hybrid solution for the outcomes we want with the best price and the most scalable options using internal and external resources.” Looking more broadly at the delivery organization in an in-house center or service provider, a number of changes need to be launched—if they are not already underway—to enable service delivery teams to train with enabling technologies and creative and critical thinking skills if they are interested enough to take hold of their careers and enhance their skills for the emerging economy. “We are an extension of our client’s organization and we take that responsibility very

“It’s not about skills.

*It’s about
capabilities.”*

seriously. You have to have a level of transparency, and build the credibility and demonstrate you are bringing the best capability,” stated a service provider executive during the Talent discussion at the HfS As-a-Service Summit. Training with technologies and design thinking, mentoring, and defining new career opportunities are all critical elements of developing and keeping that “best capability” for the As-a-Service Economy.

- » **Look outside the sourcing industry for new leaders, and define new career paths for sourcing professionals:** To drive change in the industry, as a long-time sourcing executive suggests, “hire fresh talent... talent that you typically don’t hire... hire someone from outside the industry... someone with a different type of background and can bring in new perspective and new ways of thinking.” An increasing number of executives move into an operations role because they see an opportunity to “hard code” transformation. Three-quarters of BPO professionals say they are most satisfied with the intellectual challenge in their industry roles, and that the use of technology in BPO has made the profession more attractive. However, less than half of the professionals we recently surveyed see their roles positioning them well for their long-term career aspirations, and only about 10% of those in the profession less than two years see a future in it. “Be a

² “The BPO Profession in 2015: Today’s Accidental Career Path, Tomorrow’s Capability Broker,” Phil Fersht and Barbra Sheridan McGann, HfS Research, April 2015.

mentor—not only for aspiring professionals within your own organization but make an outreach whether it is your competitor or other industry organization on the provider or buyer side because the demands for these professionals will be continually higher,” requested an executive leader from a shared services organization.

Key Takeaways for the Industry as we evolve to The As-a-Service Economy

- 1. Fix the disconnect between leadership ambition and operation lethargy:** One of the biggest obstacles to enterprises achieving progress towards achieving As-a-Service ideals is this huge delta between the desire of operations leadership to make the transition and the lethargy of the middle management layer. If this gap cannot be closed there will eventually be ramifications for many enterprises that will see their competitiveness slip away due to an overly complex, expensive and inefficient operating model. Align people's careers with where the industry is going – not where it has languished for many years.
- 2. Go for more “big bang change”:** Companies need to create a “pivot point” for their transformation. Incremental fixes clearly do not work – for all stakeholders. We have entered an economy where writing off legacy investments needs to occur. Just because an enterprise invested millions in a now-obsolete set of processes and technologies doesn't mean that enterprises should persist with plowing further resources into legacy technology and process mapping that adds little-to-no value to ambitious enterprises. The emergence of process delivery in cloud platforms with the appropriate transactional and context-based support from people is helping enterprises “rip off the proverbial Band-Aid” and hive off their legacy.
- 3. Join in together:** Services leaders are in it to be a force for innovation and change. Without much stronger collaboration between service buyers and providers, we are never going to see a lot of progress. A clear message we hear from BPO professionals is that they are in it because they see the opportunity to drive innovation and change, and believe technology increases the value and potential of BPO as a career choice. All stakeholders need to group together to embrace change, disruption and Design Thinking approaches.
- 4. Partner to put together the career package including talent/workforce engagement, intellectual challenge, skill development, compensation, and recognition:** Careers in As-a-Service need to be better thought out and developed than they ever were in legacy outsourcing models. The focus needs to shift from skills to capabilities, where people have the freedom to cross functional boundaries to add more end-game value to their enterprises. This is the only real way to have staff define and realize business outcomes for their enterprises—by molding their careers with the value their company delivers, not solely by a process with little outcome beyond maintaining operational efficiency.
- 5. Embrace technology's ability to simplify operations—and put it to work:** Whether we like it or not, technology is at the center of our universe and we need to figure out how to leverage it effectively to simplify process automation that can support smarter analytics; to mobile enable operations better and have cloud-based standards and capable, secure delivery for processes moving forward.

Lighting A New Fire

The underlying theme in achieving the Eight Ideals of the As-a-Service Economy and making them work for us to drive increased result and benefits is that we are all in this together. The industry often segments service buyers, service providers and advisors/consultants, and each one needs to have priorities in place for what will be best for their business. However, there needs to be an increased effort towards collaboration through trust—albeit earned trust.

“Trust is key,” summarized a global business services executive. “Before trust, we need to deliver results and establish credibility and then you can do amazing things. What I’ve seen is that trust brings in a lot of empowerment. What also needs to be a part of the equation is aspiration to make a difference.” Making a difference through sourcing used to mean delivering cost reduction and efficiencies shown through green lights on scorecards.

As the industry has matured and the definition of value has evolved to extend beyond what’s important to the client or the stakeholders, but also to the consumer. It’s a much more complex value proposition, and the enterprise buyers, advisors, and service providers that recognize it see the burning platform through the smoke, and realize the Eight Ideals of the As-a-Service Economy are lighting the fire.

About the Authors

Phil Fersht



Phil Fersht is Founder and Chief Executive Officer of leading global analyst authority for the services industry, HfS Research. He is an acclaimed author, analyst and visionary in Global Business Services and Outsourcing, the Digital Transformation of enterprise operations and talent strategies. Fersht coined the term "The As-a-Service Economy" which is HfS Research's vision for the future of the global services and outsourcing industry and has become widely adopted by the global services industry.

Fersht founded HfS Research in 2010 and has masterminded the development of the HfS organization as a leading analyst for the firm, in addition to steering the business operations. He is also author and creator of the most widely-read and acclaimed blog in the global services industry, entitled "[Horses for Sources](#)" and now entering its ninth year, attracting over a million visits per year across the globe. At HfS, he directs the firm's research, advisory and global knowledge community, which today totals over 100,000 professionals and is served by a respected global analyst team.

Under Fersht's stewardship, HfS Research has become the leading industry analyst firm for growing influence and value, based on the results of 1093 industry participants in the 2014 Analyst Value Survey. He was named "Analyst of the Year 2011" by the Institute of Industry Analyst Relations (IIAR), winning the premier analyst award for a second successive year - the most coveted global award for industry analysts in technology and services industry. In 2012, the International Institute of Analyst Relations (IIAR) awarded HfS research as Most Innovative Analyst Firm.

Over the past 20 years, Fersht has lived and worked in Europe, North America and Asia, where he has advised on hundreds of operations strategy, outsourcing, and global business services engagements. During his career, Phil Fersht has worked at Gartner Inc. (AMR Research), directing the firm's BPO and IT Services practices and served as market leader for Deloitte Consulting's BPO Advisory Services, where he led numerous outsourcing and offshoring advisory engagements with Fortune 500 enterprises. He began his career with IT analyst IDC.

Fersht contributes regularly to media such as Wall St Journal, Business Week, Economist, The Times of India and CIO Magazine and is a regular keynote speaker at major industry events, such as NASSCOM, Sourcing Interests Group and the HfS Blueprint Sessions.

He received a Bachelor of Science, with Honors, in European Business & Technology from Coventry University, United Kingdom and a Diplôme Universitaire de Technologie in Business & Technology from the University of Grenoble, France. He also has a diploma from the Market Research Society in the United Kingdom.

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Barbra McGann



Barbra Sheridan McGann is Managing Director for BPO at HfS. This role encapsulates her passion for research, analysis, and strategy, which has been 20 years in the making. Barbra's scope of work covers the business process outsourcing and emerging "As-a-Service" market broadly, as well diving into industry and functional areas of Healthcare & Life Sciences, Public Service, and Marketing. She's been recognized for her ability to distill complex issues and focus on a straightforward plan of action.

As the business process outsourcing market has matured, Barbra has tracked, analyzed, and advised on market and competitive moves and meaning for Accenture for over 7 years. She worked with Accenture leadership globally to develop organic and inorganic strategies that drove growth of new and mature offerings. Prior to that, Barbra helped launch and build the unique partnership between Accenture and Microsoft that created Avanade, an IT services company, focusing on the Public Sector and Financial Services markets. Barbra's career at Accenture started with reviews and events on software selection in the enterprise resource planning software market.

Barbra earned a Bachelor of Arts degree in English with Honors, and was recognized for outstanding leadership in Volunteerism with the Chet Pagni Service Award, from the University of San Diego. She's also completed post-graduate executive leadership work at Northwestern University and Smith College.

Barbra's home base is just outside the Windy City of Chicago, where she lives with her husband and two daughters, coaching soccer, leading Girl Scouts, and generally enjoying whatever activity is best suited for the ever-changing and unpredictable weather.

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About HfS Research

HfS Research serves the research, governance, and services strategy needs of business operations and IT leaders across finance, supply chain, human resources, marketing, and core industry functions. The firm provides insightful and meaningful analyst coverage of best business practices and innovations that impact successful business outcomes, such as the Digital Transformation of operations, cloud-based business platforms, services talent development strategies, process automation and outsourcing, mobility, analytics, and social collaboration. HfS applies its acclaimed Blueprint Methodology to evaluate the performance of service and technology in terms of innovating and executing against those business outcomes.

HfS educates and facilitates discussions among the world's largest knowledge community of enterprise services professionals, currently comprised of 150,000 subscribers and members. HfS Research facilitates the **HfS Sourcing Executive Council**, an acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to discuss the future direction of the global services industry and the future enterprise operations framework. HfS provides Sourcing Executive Council members with the HfS Governance Academy and Certification Program to help its clients improve the governance of their global business services and vendor relationships.

In 2010 and 2011, HfS Research's founder and CEO, Phil Fersht, was named "Analyst of the Year" by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals, and achieved the distinction of being voted the research analyst industry's Most Innovative Analyst Firm in 2012.

In 2013, HfS was named first in increasing influence among leading analyst firms according to the 2013 Analyst Value Survey and second out of the 44 leading industry analyst firms in the 2013 Analyst Value Index.

Now in its seventh year of publication, HfS Research's acclaimed blog "**Horses for Sources**" is widely recognized as the most widely-read and revered destination for unfettered collective insight, research, and open debate about sourcing industry issues and developments. Horses for Sources now receives over a million web visits a year.

To learn more about HfS Research, please email research@HfSResearch.com.

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We would like to extend special thanks to **Accenture Operations** for their support in this study.