

DISRUPT OR BE DISRUPTED: THE IMPACT OF DIGITAL TECHNOLOGIES ON BUSINESS SERVICES

A Study of Digital's Impact on Business Services

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Executive Summary

Once a topic of occasional conversation, Digital Technologies* are now a core element of many enterprises' investment strategies. In less than a year, they have become too significant to ignore.

We have entered a disruptive business environment driven by an emerging wave of Digital Technologies, which are changing the way we interact, operate and compete. Centered on advancements in analytics and big data, mobility, and cloud / Software-as-a-Service (SaaS), this wave of Digital Transformation is creating significant opportunities and challenges as entire industries are impacted and shifts occur across global business models, customer behaviors, business services and supply chain ecosystems.

As a result of these fundamental shifts, organizations need to reinvent their business models to stay ahead of the curve. Savvy organizations are quickly discovering how to take full advantage of the opportunities being created by Digital Technologies.

This report, developed in collaboration with Accenture Strategy, provides a detailed examination of a new global survey of 115 major enterprise buyers. Augmented with insight from the expert HfS community of buyers, advisors, and service providers, this report specifies where and how these Digital Technologies are being deployed to drive new value into business services and their resulting outcomes.

**Digital Technologies include:*

Analytics and Big Data;

Mobility; Cloud-based/SaaS

platforms; Interactive/

Collaborative tools.

Digital is a very real phenomenon and is changing the very fabric of enterprise operations. Gains are being realized, but there is a risk that many new investments will be misdirected as unfocused hype and enthusiasm overshadows the need for a rational, well-planned and measured approach.

The Excitement Surrounding Digital Is Justified

With all the attention and corresponding messaging being directed at Digital Transformation today, it is fair to ask whether Digital Transformation is merely another fad or truly the next wave of technological evolution. The results are in, and the verdict is clear. One hundred percent of enterprise respondents agree that Digital Technologies are fundamentally changing the industries in which they operate. They have already identified specific outcomes they aim to achieve, such as improving the usefulness of operational insight. Moreover, a majority of respondents either intend to appoint senior leadership to oversee their organization's Digital Transformation, or have already done so.

One hundred percent of enterprise respondents agree that Digital Technologies are fundamentally changing the industries in which they operate.

Enterprises Moving Into Piloting Phase

Organizations are moving into an active phase of adoption, though significant work remains to be done. The focus on "Digital" is relatively new, but leading enterprises have moved beyond the initial phase of exploration and discovery and are actively investing to build the necessary capabilities and skills. The reasons for this are likely two-fold:

First, while the use of the term "Digital" to describe such tools holistically is relatively new, the underlying technologies and attention paid to analytics, mobility, collaboration, and cloud are not. Pockets of experimentation and activity have been ongoing for years.

Second, Digital brings a framework that places each underlying technology in context and, in turn, enables greater benefits than would be possible from each in isolation. Leading adopters are now integrating such activities under one banner, which is raising the collective profile of Digital and leading to increased investment across all Digital Technologies. Analytics, mobility, cloud, and collaboration technologies are all being cited as having meaningful impacts on the management of shared services today.

"We simply cannot afford not to do this if we want stay ahead of our market."

According to the services governance lead for a major global media organization, *"It's made sense to group together our core initiatives across analytics, mobile, social and cloud under one of our key operations executives, who has adopted the mantle of Digital Transformation head. His role is to work across the key stakeholders in our business and IT groups, in addition to our service providers and consultant partners to drive a concise, definitive roadmap for the firm. We simply cannot afford not to do this if we want stay ahead of our market."*

However, Warning Bells Are Beginning To Sound

Digital is capturing the attention of high-level executives across many firms. This is not necessarily negative, but the level of these individuals' involvement indicates that decision cycles may be lengthening at a time when technology cycles are speeding up. Furthermore, firms seem inclined to experiment with and deploy these technologies without engaging outside help, which risks foregoing the value to be gained from external expertise.

Key Takeaways

- » **Digital disruption is seen as a real trend with unanimous support.**
- » **Adoption is fueled by a need to gain better insight and improve competitiveness as well as lower cost.**
- » **Impact is anticipated to be broad - going beyond Sales and Marketing to even Engineering and HR**
- » **Enterprises believe they have the talent, if not the technology, to compete.**
- » **Enterprises risk wasting investments as they look to do it all themselves.**

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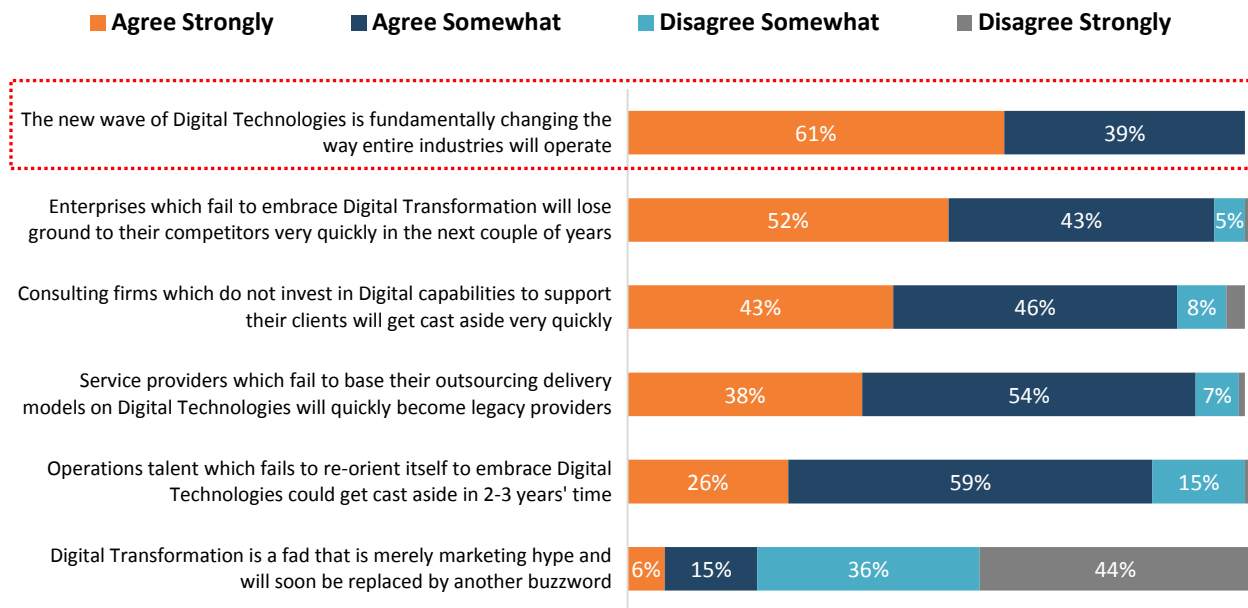
Part I: The Digital Imperative Is Clear

No Doubt Remains Regarding The Value Of Adoption

The arrival of every incremental technological innovation seems to trigger a disproportionate amount of media and analyst hype. Occasionally, advances come along that capture the mindshare of enterprise buyers as well. And very occasionally enterprises will embrace and adopt a technology *en masse*. All of which suggest that it would be easy to ignore much of the attention being directed at what is being labeled “Digital Technology”. The term itself, after all, could be deemed vague or even a rehash of yesterday’s news.

However, in our landmark survey of enterprise buyers, the verdict regarding Digital Technologies is loud and clear. As can be seen in Exhibit 1, 100% of respondents agree that “the new wave of Digital Technologies is ***fundamentally changing the way entire industries will operate,***” with nearly two-thirds (61%) strongly agreeing with this statement. All but 6% of respondents believe that enterprises that fail to embrace Digital Transformation will lose ground to competitors very quickly in the next few years.

Exhibit 1: Enterprises’ Embrace of Digital Technology is Strong



Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

The sense of urgency in North America is even stronger. When respondents are segmented by location, it becomes evident that the Digital imperative is particularly powerful in North America, where nearly two thirds (64%) of respondents agree strongly that enterprises that fail to embrace Digital Transformation will lose ground to their competitors very quickly in the next few years. This compares to only 42% of respondents in Western Europe who felt this way. In all, 98% of North American respondents agree with this statement, though with 95% of Western European respondents also sharing some level of agreement, it is clear the pressure is being felt there as well but is lagging somewhat as North America emerges more quickly from the global recession. Moreover, Europeans have traditionally been more conservative adopters of new business models than North Americans, especially where there are strong technical components. We observed this with cloud computing, where initially the primary adoption came from North American organizations, before other regions started to close the adoption gap.

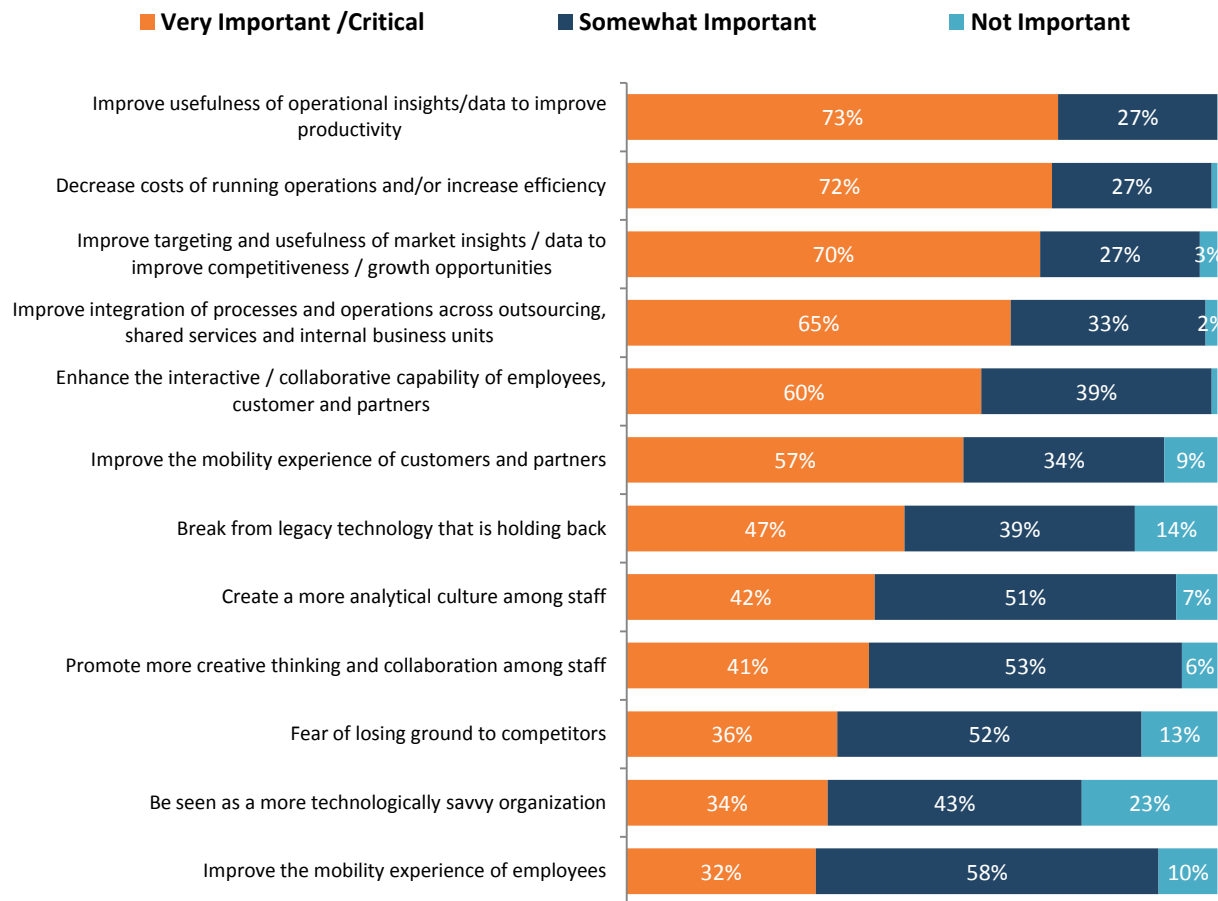
Service providers are equally pressed to meet Digital expectations. Buyers' expectations for external service providers are higher than for internal talent when it comes to digital technologies. Nearly two in five respondents (38%) strongly believe that service providers that fail to base their outsourcing delivery models on Digital Technologies will quickly become legacy service providers, as shown in Exhibit 1. However, only one in four feel the same way about their own talent, and when these respondents are limited to those from enterprises with revenues greater than \$10 billion, that proportion drops to less than one in five (18%). There are also indications that the challenge for service providers is even greater if they serve the mid-market, with nearly half (49%) of respondents from companies in the \$1B-to-10B range strongly agreeing that service providers must quickly adapt or they will be relegated to has-beens.

Enterprises Showing Maturity In Their Adoption Rationale

Deriving "insight" is greatest driver of adoption. Improving the usefulness of operational data to increase productivity is viewed as the number one driver behind the adoption of digital technology today with 100% of respondents seeing it as important and nearly three fourths (73%) viewing it as very important. Similarly, the third most important driver is driving insights around markets to improve competitiveness with 70% of respondents viewing this as critical. These results provide a very clear indication of where and how these technologies can be applied, showing maturity in enterprise rationale.

Exhibit 2: Maturity in Adoption is Clear

Thinking about the adoption of Digital Technologies, how important would you say the following business drivers are to your organization?



Source: HfS Research "Impact of Digital on Business Services" Study 2014, N = 115 Enterprise Buy-side Executives

Yet cost reduction and efficiency gains remain the ever-present need.

Despite the forward-looking nature of Digital adoption, the second most important business driver is identified as the need to reduce costs or increase efficiency: an important reminder of the continued pressures internal services organizations continue to face. Doing more with less is the new normal for enterprises today.

The prospect of improved integration across internal and external services is fueling demand. As shown in Exhibit 2, 98% of respondents indicate that one important driver of adoption is the need to better integrate processes and operations across outsourcing, shared services, and internal business units. As the CFO of a major publishing enterprise

"The level of attention being directed on Digital today is letting me reframe conversations around not just how we are completing tasks but what we are really trying to accomplish and with whom this can best be done."

we interviewed said, *“the level of attention being directed on Digital today is letting me reframe conversations around not just how we are completing tasks but what we are really trying to accomplish and with whom this can best be done.”*

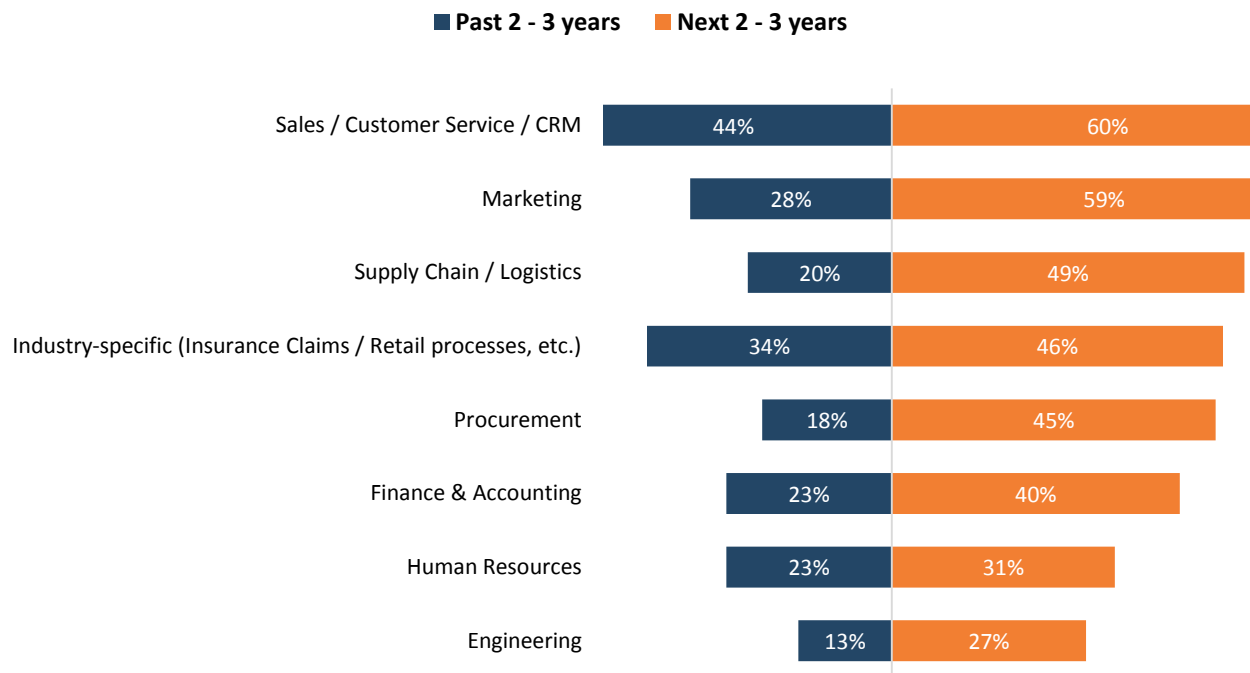
There’s a need to balance the needs of leadership with the needs of the business. When considering the drivers, some caution is required. Segmenting respondents by a variety of demographics shows some differences in the drivers that are important and highlights a non-uniform approach to the opportunity today. One of the most significant differences can be found in the enterprise approach to mobility and how that operates as a driver of adoption. In the aggregate view, it is clear that the importance of enabling the mobile experience for customers and partners far exceeds the importance of enabling employees because almost twice as many feel strongly about the former: 57% versus 32%. However, when this data is limited to those respondents occupying the C-suite, the proportion of those who view the mobile enablement of customers as very important (48%) much more closely approaches the number of those viewing the mobile enablement of employees as very important (37%). From the perspective of a senior executive, such a view makes sense. They are on-the-go, and they want access to their critical enterprise information 24/7. However, from an impact perspective, the rest of the company feels a greater gap between the benefits for external and internal needs. This could all make for awkward discussions about budgeting limited resources for new technologies.

The Benefits And Impact Of Digital Across The Breadth Of Business Services And Operations Is Poised To Be Widespread

Despite a few divergent opinions regarding the primary business needs driving Digital adoption, there is little doubt across all respondents as to the broad impact these technologies will have on business services. Exhibit 3 highlights respondents’ perceptions of the business services that have seen an extensive impact from Digital Technology over the last two to three years, as well as those that will see an extensive impact over the next two to three years. While the effect of Digital was uneven in the past, the impact over next two to three years is expected to be much more profound and widespread. For example, while more than four in ten respondents witnessed an extensive impact on sales in the past, less than a fifth saw the same with procurement. However, in the future, though sales and customer service will remain the area of greatest impact, marketing, logistics, procurement, and even F&A will follow much more closely.

Exhibit 3: “Extensive Impact” of Digital Technologies on Business Services

How much impact will Digital Technologies have on the following business services in your organization in the next 2-3 years?



Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

Sales / Customer service / CRM remains hot. The investments in enabling sales and customer service processes that fueled much of Digital adoption in the recent past will continue to increase with more than half (60%) of respondents anticipating an extensive impact from the adoption of Digital in this area over the next two to three years. However, as we highlighted above, the impact will clearly spread to other areas and place broader demands on enterprise resources.

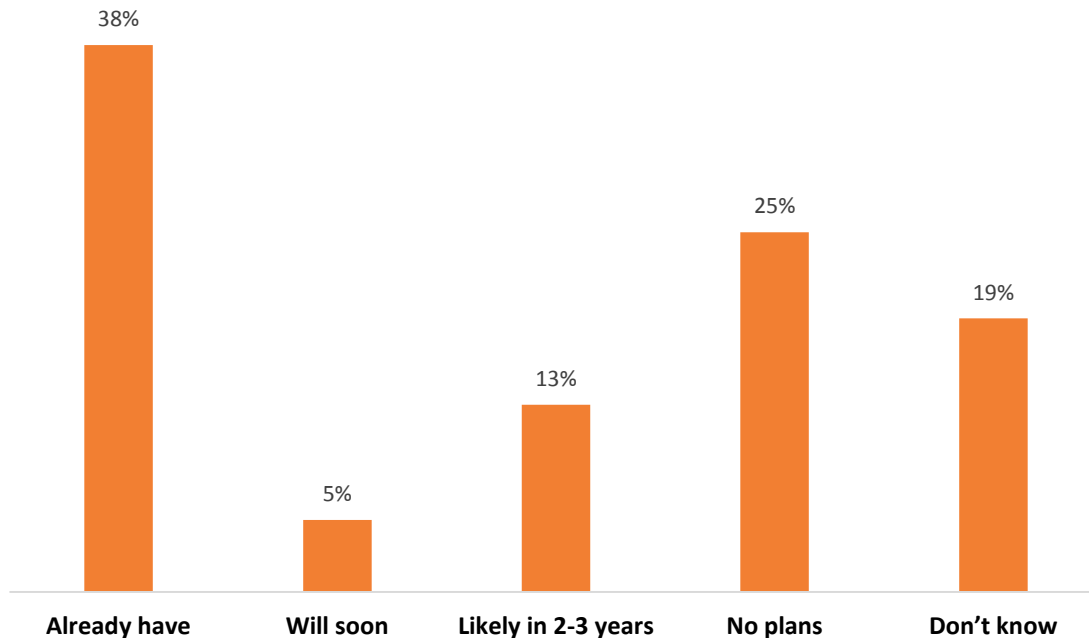
The Digital Foundations Are Already Well Under Way

Digital Transformation requires much more than the implementation of new technology. It requires significant changes to strategy, people and processes as well. One of the most encouraging results from the survey is the evidence that enterprises are starting to make the changes necessary to realize the benefits of going Digital. New leadership, new process models, and new technologies are all being tried and tested today.

Over one-third of enterprises already have senior Digital leadership in place. Respondents indicated that within two to three years, more than half (57%) will have appointed a senior executive leader to run their Digital Transformation strategies. Furthermore, as can be seen in Exhibit 4, nearly two in five (38%) have already appointed someone to this role today. Clearly, this opportunity is being embraced at the highest levels of most enterprises.

Exhibit 4: Appointment of Senior Executive Leadership

Has your organization appointed a senior executive to lead the Digital Transformation strategy?



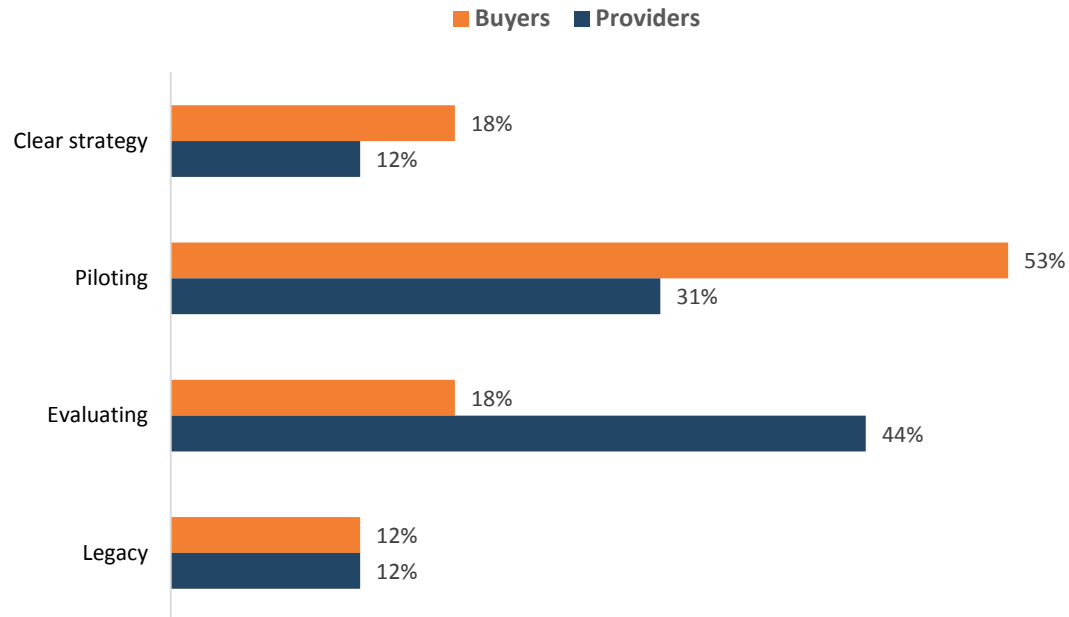
Source: HfS Research "Impact of Digital on Business Services" Study 2014, N = 115 Enterprise Buy-side Executives

However, one-quarter of respondents have no plans to put dedicated leadership into place. A need that is apparent and urgent to a majority of enterprises is being missed or ignored by a significant number of others. For those with no plans to appoint senior leadership to run their Digital Transformation, there is a real risk that they may see their businesses overtaken by those that dedicate specific leadership focus to the topic. While Digital Technologies enable a broad range of incremental improvements to individual processes, they also have the potential to completely redefine those processes, if not entire core functions. As one executive told us, "our CEO is pushing my team to look across the top of traditional process walls."

Enterprises are piloting Digital on their own. More than half of all enterprises (53%) indicate they are actively piloting Digital Technologies today. In contrast, less than a third (31%) of the service providers surveyed indicated that the enterprises they work with were at this stage. This implies that a significant number of enterprises may be experimenting with Digital on their own, without enlisting the help of outside service providers. Furthermore, as seen in Exhibit 5, slightly more than one in ten (12%) service providers indicate that their clients have a clear strategy, while nearly one in five (18%) enterprise respondents indicate that a strategy is in place. This, again, indicates that service providers are not entirely attuned to all the Digital Transformation initiatives that are underway. That said, there does seem to be some base level of involvement, with 44% of service provider respondents at least seeing enterprises evaluate Digital today.

Exhibit 5: Conflicting Views on the State of Digital Transformation

How would you best describe your organization's (or your client's) stance towards Digital Transformation?



Source: HfS Research "Impact of Digital on Business Services" Study 2014, N = 115 Enterprise Buy-side Executives, 156 Providers

Part II: It Is Still Early And Much Work Remains To Be Done

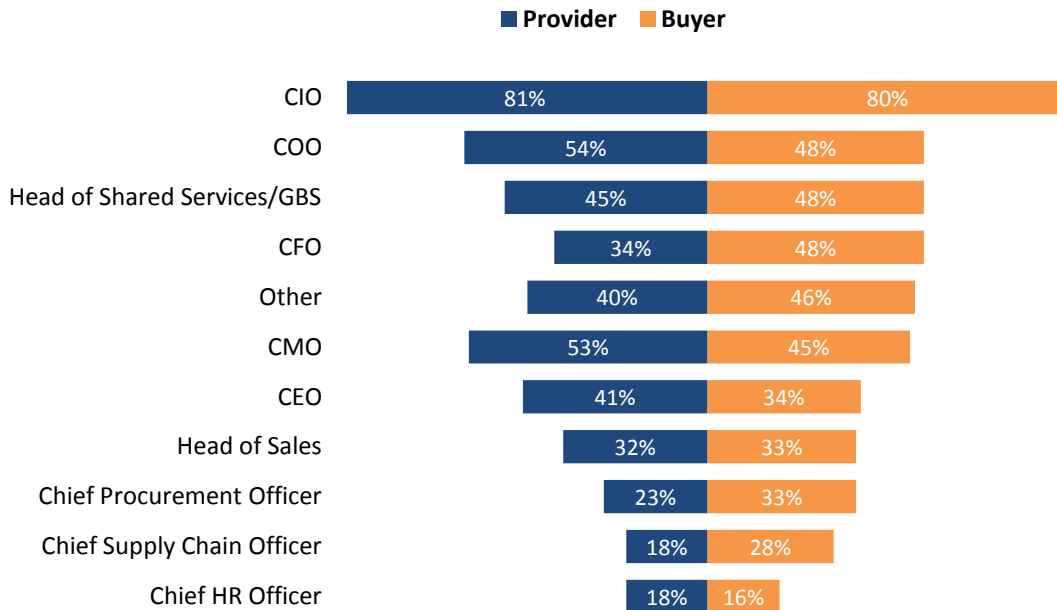
Despite the initiatives underway to capture the value that process digitization can deliver, it is clear that significant work remains to be done across most enterprises.

Enterprises Need Clarity Of Leadership Across Business And Technology Lines With Their Digital Approach

Executive involvement is very high. Without a doubt, senior leadership has embraced the need to adopt Digital Technologies, and we see widespread involvement among executives in the discussion of the Digital Transformation. Perhaps surprisingly, these executives also remain highly involved in the decision-making process surrounding Digital Technology investments. As shown in Exhibit 6, one in three CEOs (34%) are “highly involved” in the investment decisions regarding these technological solutions. Further, CMOs, COOs, and heads of shared / business services are not simply sitting at the table but half of the time they all but require a signoff as well. While this level of attention is generally good news, we worry that the current level of direct involvement may be creating confusion and actually slowing things down. Too many people need to get up to speed and then make decisions on technical matters. With that in mind, perhaps it is no wonder that the vast majority of enterprises are merely experimenting or piloting today. Making broader progress would likely require a herculean effort regarding buy-in. To be clear, executive support will speed adoption but too much direct involvement by too many functional heads may bog it down.

Exhibit 6: Executives Perceived to be “Highly Involved”

Within your organization (or your client’s), how involved are the following executives in making investment decisions regarding Digital Technology solutions?



Source: HfS Research “Impact of Digital on Business Services” Study, 2014, N = 115 Enterprise Buy-side Executives, 156 Providers

There is an opportunity to free up leadership energy toward Digital Strategy. Perhaps even more concerning than the breadth of executive-level involvement in technology decisions that enterprise buyers observe, is the level they do not observe. In Exhibit 6, we also plot the percentage of service provider respondents who see executives as highly involved in technology investment decisions. Almost without exception, these providers see even greater involvement on the part of these buyer executives than their counterparts in the enterprises themselves. This indicates that either the enterprise may be better at moving more rapidly when it takes on the work itself or the decision-making process is now so complex that the average enterprise worker no longer has a complete view of which approvals are involved. Either way, it means there is an opportunity for enterprises to streamline their decision-making as they seek to keep up with the rapid pace of change.

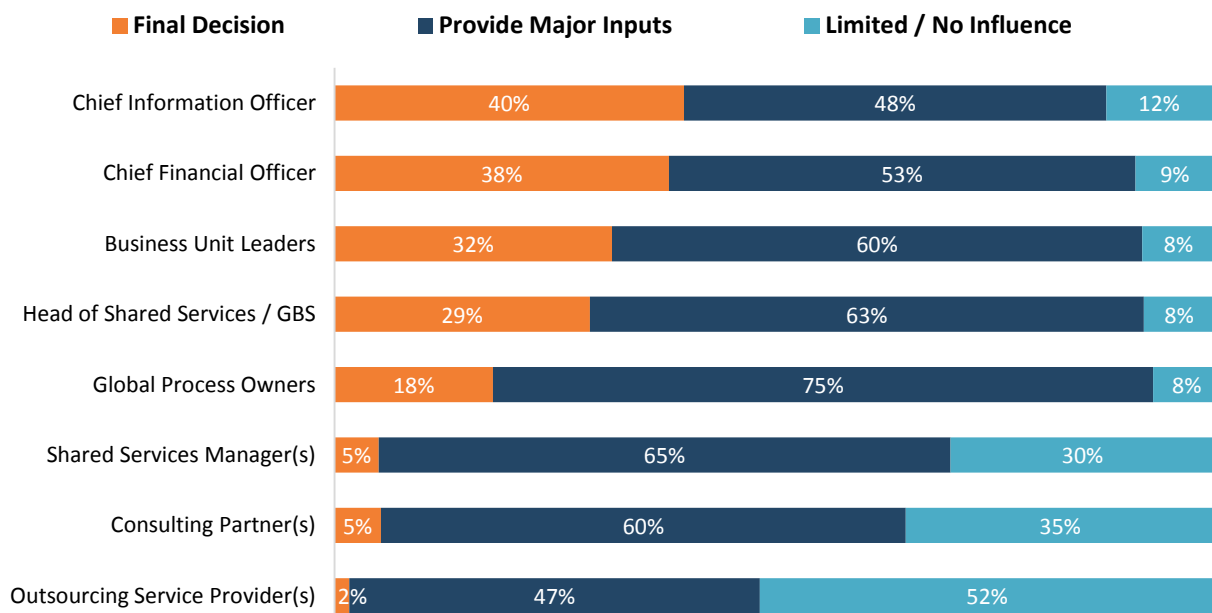
CIOs need to continue reasserting control. While a broad range of executives is now engaged at the level of technology decisions, it is clear that the CIO plays the most active role. Eight out of ten enterprises report their CIOs are highly involved in technology investment decisions. Furthermore, 81% of service providers report seeing this as well. This indicates that the CIO is the most cited executive. However, it also raises the question of why the CIO is not highly involved the remainder of the time. In short, one of every five CIOs is not seen as being highly involved in investment decisions regarding Digital Technology solutions. One must ask: if they are not present here, how can they possibly be seen as playing a strategic role for the enterprise? One answer might be found in the leader that is the second most often involved – the CFO. At some point, once a solution or platform is selected, the CFO is often in the best position to manage the intersection of technology, strategy and finance and as seen in Exhibit 7 makes the final decision more than one third of the time.

Operational Knowledge Being Ignored

Embarking on Digital Transformation is still largely a centralized decision. Despite the leadership and value identified, much of the decision-making regarding Digital Transformation is being done in a vacuum. More than one in four (29%) enterprises indicated that shared services managers had no influence in determining what was ready and viable for change, as seen in Exhibit 7. Further, 52% of respondents indicated that their outsourcing service provider has limited or no influence when determining the readiness of processes to transform. While not as drastic, a similar trend is seen across the involvement of consulting partners. One in three (35%) is not playing an influential role. In short, while the broad value may be seen clearly, one wonders if they are truly identifying the correct applications and needs. Rather than involving every executive across the C-suite, enterprises are advised to create cross-functional teams that also branch across titles and roles and involve those who have day-to-day responsibility for the activities undergoing change.

Exhibit 7: Responsibility for Determining Digital Transformation Readiness

Who in your organization makes the determination of which processes are most ready / viable for the Digital Transformation?



Source: HfS Research "Impact of Digital on Business Services" Study 2014, N = 115 Enterprise Buy-side Executives

Enterprises Are Already Investing Heavily, But Many See The Need To Invest More

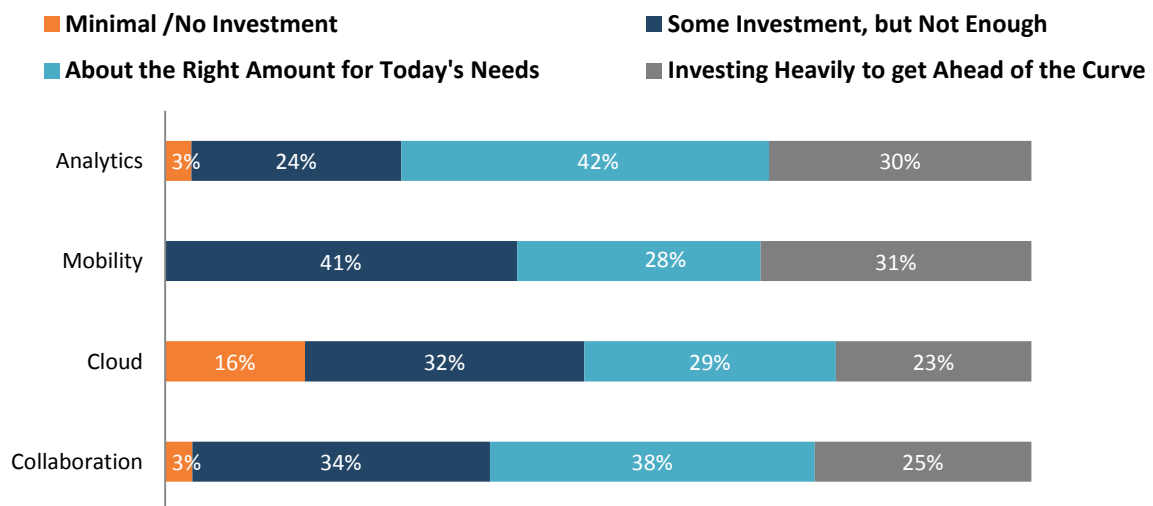
Approximately 25% of respondents identify heavy investment today. When asked about the level of their organization’s current investment across four types of enabling technologies, roughly one in four large enterprise respondents indicated they were seeing heavy investments today, with the greatest activity in mobility and analytics. Furthermore, over 40% of respondents felt that the amount being invested regarding analytics was about right, as seen in Exhibit 8.

Mobility may see greater demand. Within the same question, respondents were also given the option to indicate areas where some investment was occurring but where they felt it was not enough. More than two out of five respondents (41%) indicated they wanted to see more investment around mobility. That is nearly 50% greater than those who felt it was just about right, and this indicates some pent-up demand. Given responses to an earlier question, this is more likely to occur in areas targeting customers and partners than in areas targeting internal employees.

Cloud still lacks visibility to some in the enterprise. While roughly a third of respondents indicated they saw some but not enough investment in cloud technologies, half that number indicated they saw minimal or no investment. This may highlight the need for more clarity regarding the value of cloud to enterprise efforts surrounding Digital Transformation. Cloud based solutions are often the way these new technologies are delivered, and by embracing this approach, many enterprises would benefit from the shift of resources away from legacy infrastructure. However, without broader understanding, this may not occur.

Exhibit 8: Investment Approach to Digital Technologies for Enterprises with Revenue above \$10 Billion

What are your organization's current investment approaches towards the following Digital Technologies?



Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

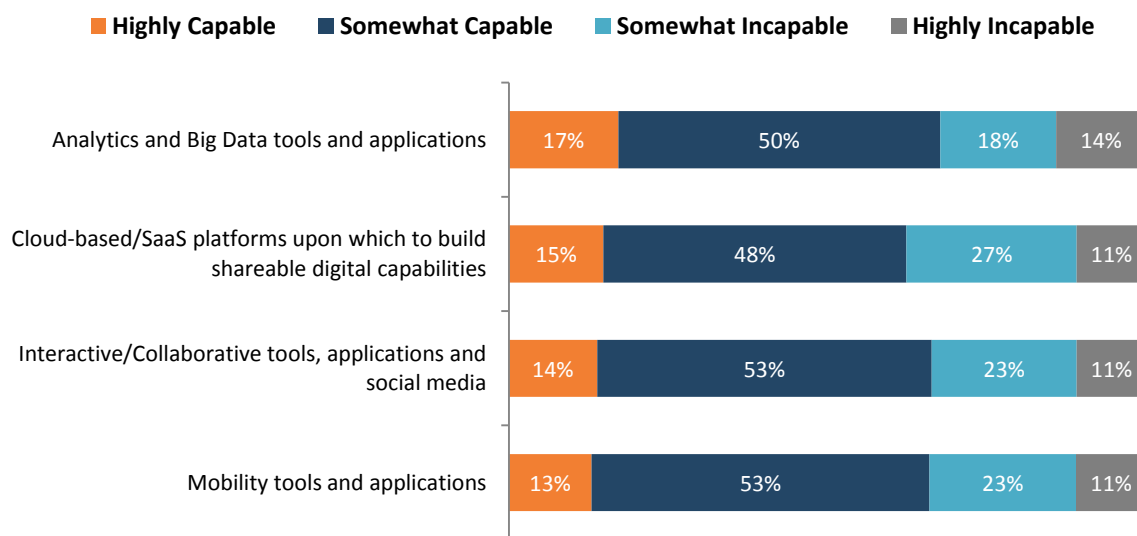
Part III: Most Enterprises Have Faith In Their Capabilities To Derive Benefits From Digital

Given the depth and breadth of support for the potential benefits of Digital Technologies, coupled with the steps enterprises have taken to put the required people and processes in place, it is evident that enterprise investments will likely rise in the coming years. To obtain a better sense of where leading adopters are likely to direct their investment, we again turn to the survey data to understand the current and future implementation strategies.

A majority of enterprises believe they have some of the right talent in place. More often than not, enterprise buyers believe in the ability of their talent to derive benefits from Digital Technologies. As seen in Exhibit 9, 67% of respondents believe in the capability of their talent to derive benefits from analytics and Big Data tools. Furthermore, when segmented by company size, over three quarters of large enterprises (77%) believe in the capabilities of their talent. Conversely, just slightly more than one in ten respondents believe the existing talent within their enterprise is highly *incapable* of deriving benefits from these technologies. In total, right or wrong, we expect this sentiment to translate into organizations looking to train and retool their current employee base to make better use of these technologies.

Exhibit 9: Capability of Benefiting from Digital Technologies

Broadly speaking, how capable is your organization's talent of deriving real benefits from the following Digital Technologies to enable business results?

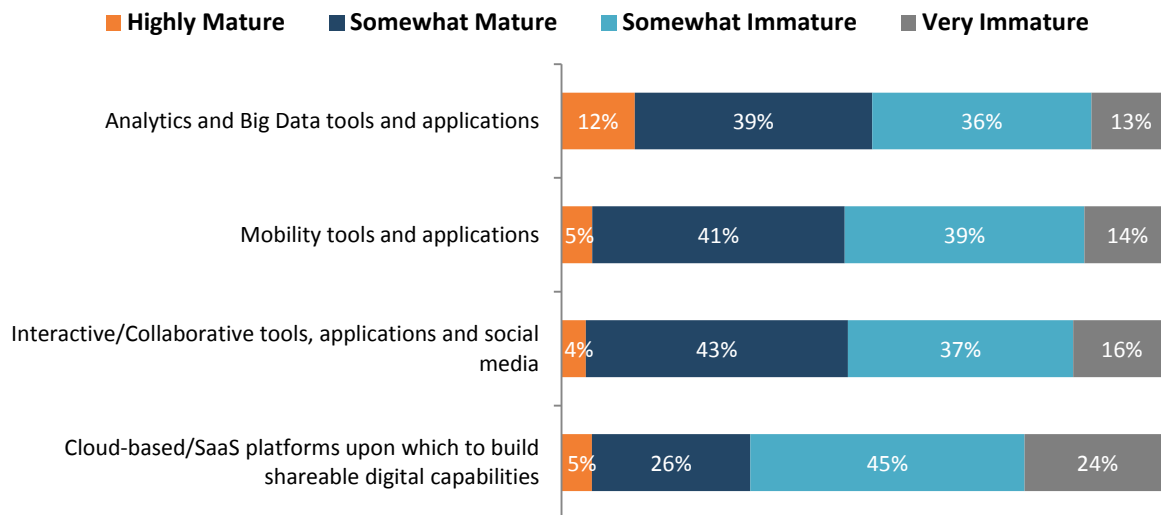


Source: HfS Research "Impact of Digital on Business Services" Study 2014, N = 115 Enterprise Buy-side Executives

However, a technology gap exists. Though enterprise respondents are relatively bullish on the capabilities of the leadership and talent they have in place to enable real business results from new technologies, they are less optimistic regarding the actual technologies they currently employ. As the data in Exhibit 10 highlights, only about half of those surveyed felt their organization’s adoption of analytic, mobility, and collaboration technologies was mature. Further, less than a third (31%) saw their adoption of cloud as mature and one in four (24%) saw their adoption of cloud as very immature. In short, while there is a belief the talent is in place, there is also a belief that more maturity around technology is needed.

Exhibit 10: Maturity of Organizations’ Adoption of Digital Technologies

How mature is your organization's adoption of the following Digital Technologies to enable real business results?



Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

While there is every indication that the majority of enterprises are ready and willing to adopt Digital Technologies to drive business change, the challenge for these enterprises will be deciding how to deploy these new tools. Given the belief in the capabilities of the existing staff, they may be inclined to rely on in-house personnel rather than tapping those who may have greater experience with the emerging technology but reside outside their own walls. In HfS’s opinion, this would be a mistake. While the importance of these technologies justifies the added cost of maintaining skilled staff who understand them, the speed at which they are developing and the breadth of change also demand reliance on outside advisors who focus on these technologies day in and day out.

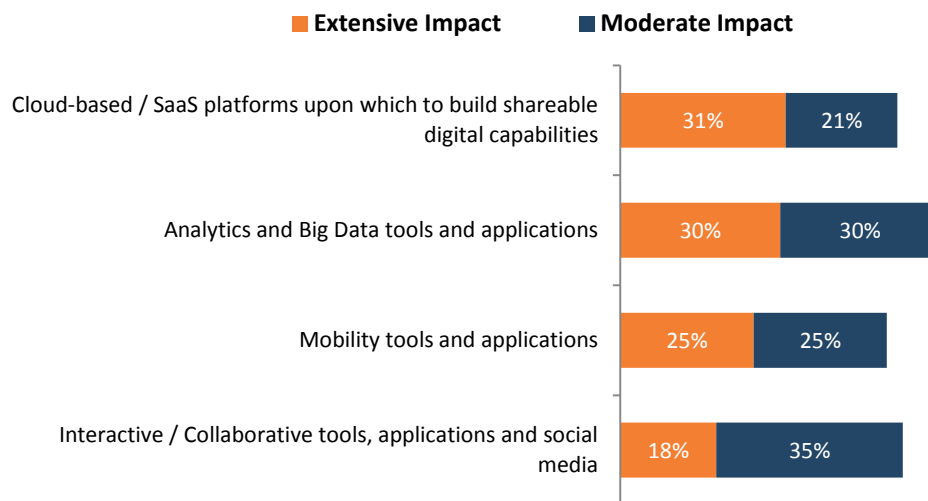
Shared Services Benefiting In Digitally Unique Ways

Diving deeper into the application of Digital Technologies, we see a strong appreciation for the utilization of these emerging tools across shared services, GBS, and outsourcing. At times, the benefits of and demand for Digital Technologies in these areas are surpassing those in the broader enterprise.

Digital Technology impacts the management of services in positive ways. In Exhibit 11, we explore the impact that Digital Technology is having on the management of shared services, GBS, and IBS programs. Sixty percent of respondents indicate an extensive or moderate impact from the use of analytics to manage these services, and at least half of respondents saw the same for the other three categories as well. Again, in general, mobility trailed its technological peers a bit but still registered as an important aspect of the Digital approach today. In fact, 25% of respondents indicated these mobile tools were having an extensive impact – a higher percentage than those who indicated the same for interactive tools.

Exhibit 11: Impact of Digital Technology on Managing Shared Services and Outsourcing

How much impact are the following Digital Technologies having on how you are currently managing your shared services / GBS and outsourcing programs?

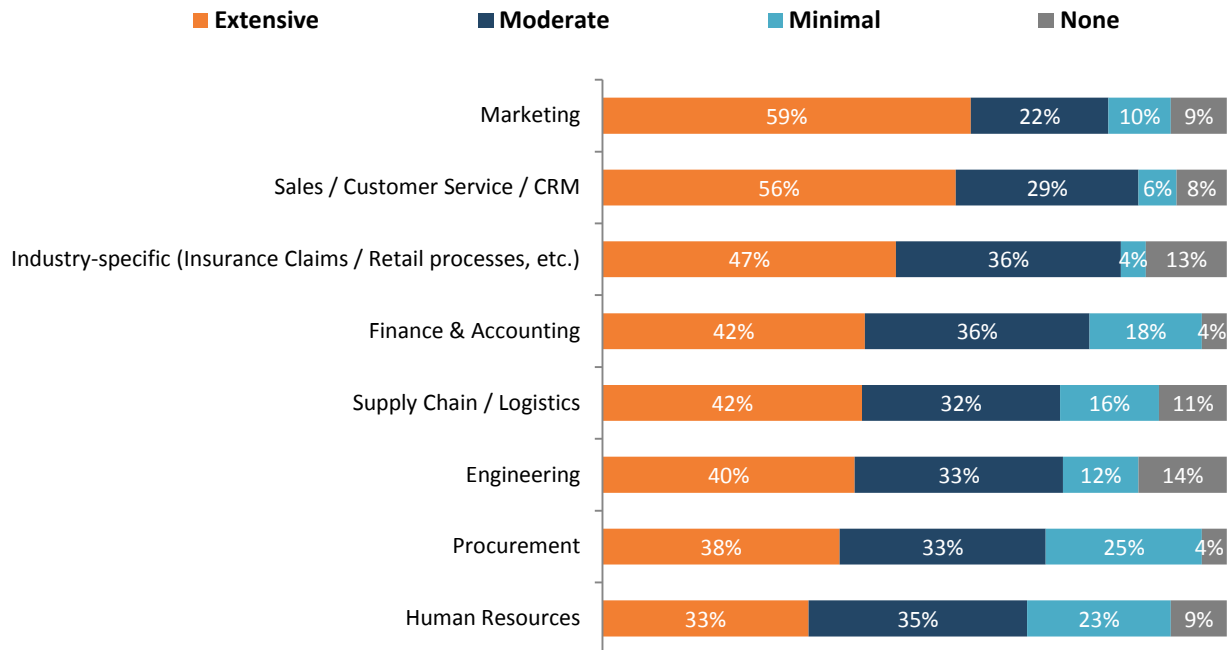


Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

Impact of Digital on shared services greater than that of impact on overall enterprise. While respondents anticipated a general increase in the impact of Digital Technologies on their enterprise, they were downright bullish regarding the impact of these technologies on the shared services and outsourcing programs in the next couple of years. For example, as seen in Exhibit 12, 59% expect an extensive impact on marketing and a full 85% expect a moderate to extensive impact across the category of sales/customer service and CRM. Furthermore, this optimism is spread across the board, with one in three respondents seeing an extensive impact from Digital Technology on HR services and another third seeing a moderate impact there as well. In short, expect the levels of demand for and activity regarding these technologies to both broaden and rise.

Exhibit 12: Impact of Digital Technology on Business Services within Shared Services and Outsourcing

How much impact will Digital Technologies have on the following business services within your shared services / GBS / outsourcing programs in the next 2-3 years?



Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

Service Governance Teams Strong In Tactical Execution, But Falling Short With Creative Thinking And Changing Old Habits

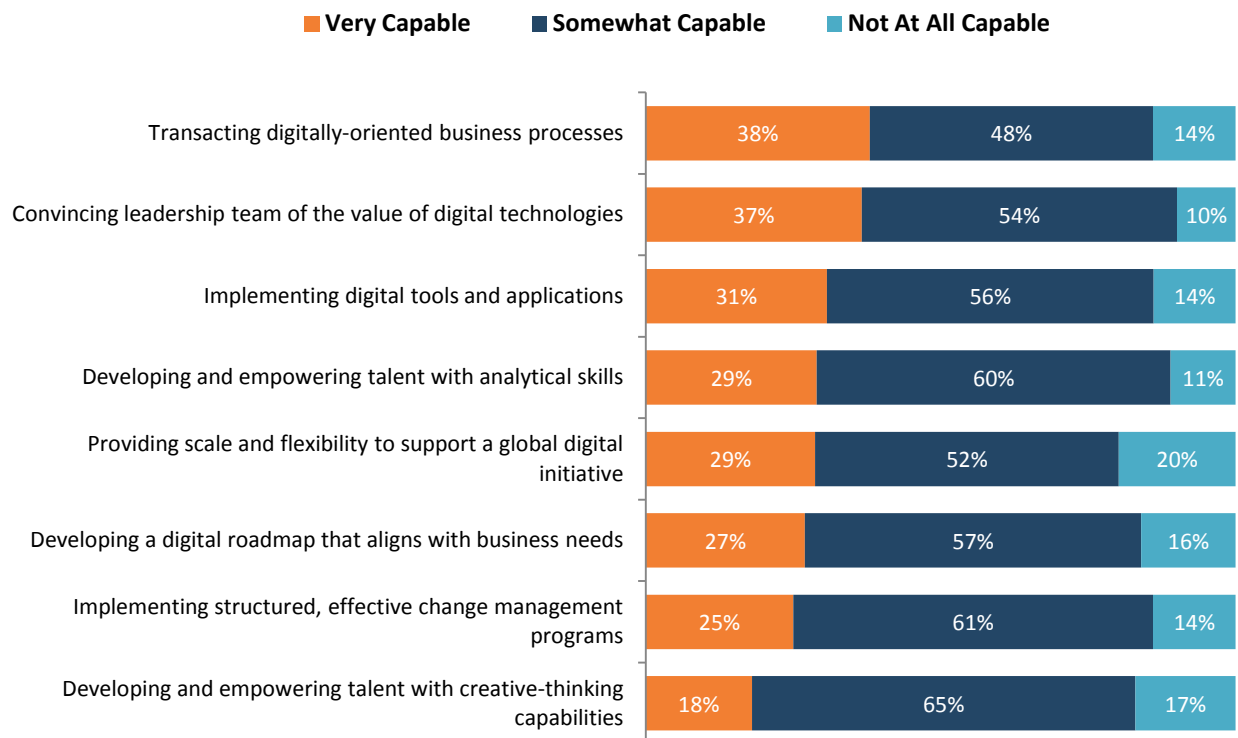
Good at Process and Value but not Creativity or Change. When we asked respondents to indicate the effectiveness of governance across their shared services, we saw a general ambivalence across a majority of Digital Transformation skills. However, there were a few areas that shone brighter than others, and a few that trailed behind. In general, shared services organizations were better at convincing their leadership of the value of digital overall as well as the value received in executing transactions. However, they lagged significantly in empowering creative thinking or enabling effective change.

“We recognize how important it is to get our act together with our Digital strategy, but we struggle with change – we always struggle with change. Our staff are capable, but too often want to focus on the way we’ve always done things, as opposed to exploring new ideas and opportunities.”

As one shared services leader for a major consumer packaged goods enterprise pointed out, “We recognize how important it is to get our act together with our Digital strategy, but we struggle with change – we always struggle with change. Our staff are capable, but too often want to focus on the way we’ve always done things, as opposed to exploring new ideas and opportunities.”

Exhibit 13: Effectiveness of Shared Services and Outsourcing in Executing Digital Transformation

With regard to Digital Transformation, how effective are your current internal services governance/shared services/GBS/outsourcing governance teams in the following areas?



Source: HfS Research “Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives

The greatest impediment to adoption in large enterprises is the lack of process integration across internal and external providers. While the value of adopting Digital Technologies is clear, there are still significant barriers that must be overcome. When we looked at responses from companies with revenues greater than \$10 billion, the most notable impediment was organizational challenges within the adopting enterprise. In short, this is not a problem of technology deployment but one that exists at the intersection of people and processes.

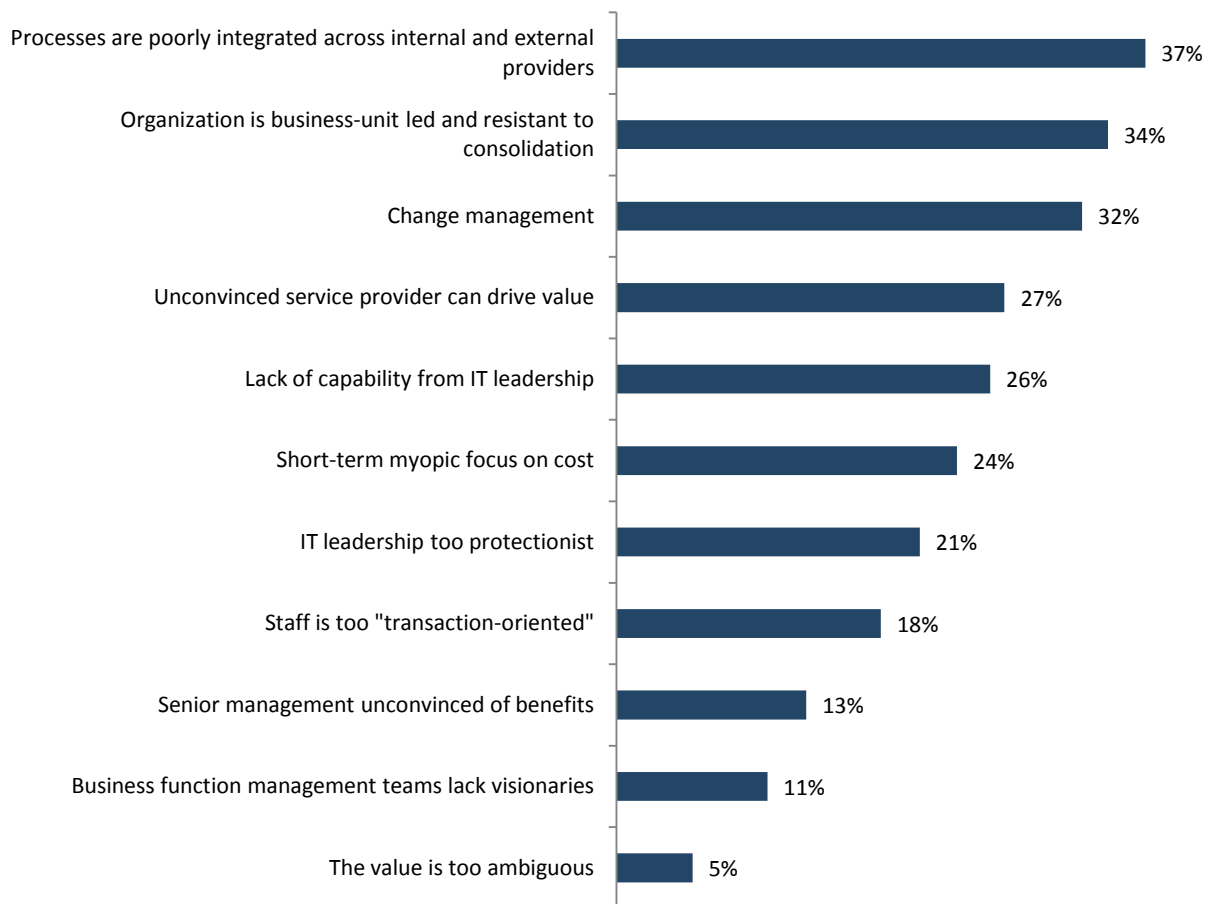
Simply put, if organizations are to realize the full benefits of Digital Technologies, they must be more than aspirational in their actions. Success will require retooling relationships that span internal shared services and business units, in addition to external providers, to smooth adoption and increase the benefits that these new Digital Technologies can provide. The more integrated processes are across operational delivery frameworks, the

more realistic it is to align processes with new technology solutions and set desired business outcomes that can be achieved.

According to one business services leader at a Fortune 500 healthcare organization, *“We’re finding a lot more success putting technology-driven business initiatives, such as analytics and mobility, under the purview of our global process owners. This way they can assess where the gaps are in both process workflow and skillset availability across our business services organization.”*

Exhibit 14: Major Impediments to Adopting Digital Technology for Enterprises with Revenue above \$10 Billion

Which of the following are significant impediments to the adoption of Digital Technologies?



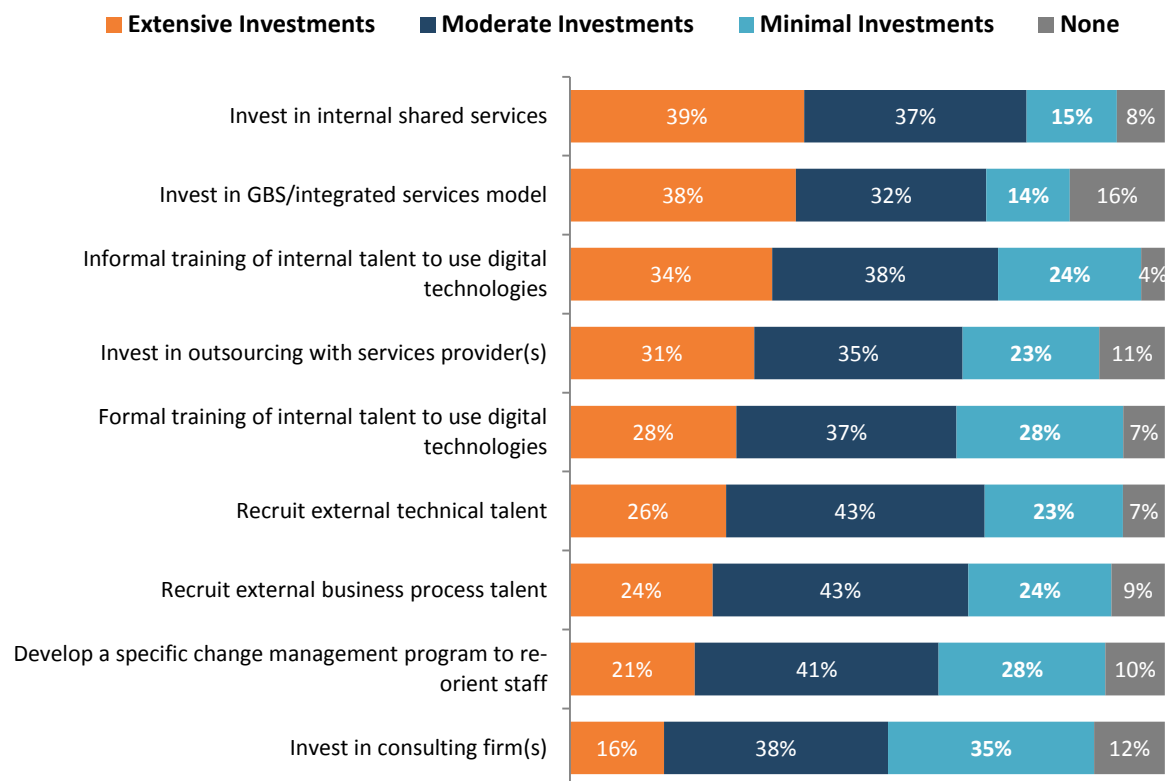
Source: HfS Research *“Impact of Digital on Business Services” Study 2014, N = 115 Enterprise Buy-side Executives*

Enterprises Under Estimate The Level Of Outside Help They Will Likely Need

Respondents seem to have a vague idea where to direct resources. When asked to indicate where they expected to make direct investments over the next two years as they embrace Digital Transformation, internal shared services topped the list with 39% of respondents indicating extensive levels of activity. This was followed closely by investments in global business services/integrated business services models at 38%. However, when asked more specifically about how those investments might be made, such as informal training, the use of outside providers, or even the development of change management programs, there was some ambiguity. Perhaps most concerning, only roughly one in five (21%) will be investing extensively in developing a change management program to re-orient staff, as seen in Exhibit 15. In short, enterprises expect their current talent pools to get up to speed and embrace these emerging new technologies largely on their own, without the benefit of robust change management.

Exhibit 15: Where Investments in Digital Transformation Will Occur In the Next Two Years

How extensively do you expect your organization to invest in the following actions to embrace Digital Transformation in the next 2 years?



Source: HfS Research "Impact of Digital on Business Services" Study 2014, N = 115 Enterprise Buy-side Executives
Key Takeaways

- » **Digital disruption is very real.** The results are unanimous. Every respondent surveyed agrees that Digital Technologies are fundamentally changing the way entire industries operate.
- » **Adoption is fueled by a need to gain better insight and improve competitiveness as well as lower cost.** While cost reduction, a perennial favorite, appears to be a leading impetus for Digital Technology adoption, respondents indicated that their first and third drivers were the need to gain better insight into operations and customers, respectively. Further, respondents identified the fourth most important driver as the need to integrate activities across internal and external services.
- » **Impact is anticipated to be broad.** While investments in Digital Technologies directed at improving sales and customer experience will continue to lead the way, such activities will broaden to include every area of business services, including former laggards such as engineering and HR.
- » **Enterprises believe they have the talent, if not the technology, to compete.** Rightly or wrongly, while readily admitting the current state of technology adoption falls short, enterprises are reluctant to say they do not have the right talent pool to implement these changes.
- » **Enterprises risk wasting investment when they look to do it all themselves.** With tremendous excitement evident regarding the impact of Digital Technologies, enterprises can be forgiven for wanting to implement this all by themselves. However, doing so could put them at significant risk. As with any emerging technology, experienced practitioners are in short supply. While a majority believes it has some of the necessary talent, only a handful sees their teams as very capable in this regard. Utilizing third-party providers and consultants is likely the best way to augment talent quickly and at a reasonable cost.

About the Authors

Ned May



Ned is Senior Vice President of Research and a member of the research leadership team at HfS. His remit is to develop and inspire cutting edge research focused on the technology enablement of business services. His coverage areas include IT Services, BPO, enterprise mobility and media strategies. As a senior adviser to IT and business executives, Ned recognizes the characteristics of emerging market leaders and sees nothing but great opportunity for HfS in the coming years.

With nearly 20 years of broad strategy experience Ned combines a love of long-term thinking with a strong appreciation for the challenges of ensuring daily excellence in execution. Over the years, he has not only helped hundreds of clients navigate and capitalize on changing landscapes, but along the way has led diverse research teams and launched and run new products often aimed at directly cannibalizing existing offerings.

Ned comes to HfS from research firm Outsell where as a Practice Leader he grew and served the company's largest strategic accounts across the media and publishing industries. He also oversaw the firm's cross industry research that served the industry's leading technology suppliers. While at Outsell Ned oversaw the development of an interactive online benchmarking tool serving executive management and authored many groundbreaking studies including ones on the impact of emerging technologies, the evolution of business information, and the new opportunities presented by mobile interfaces.

Widely quoted in the global press, Ned has been a regular speaker across a broad range of leading industry events. He has also appeared on PBS's Nightly Business Report and FOX Business.

Prior to joining Outsell, Ned ran the Worldwide IT Services research program at IDC where he covered the largest global players in the midst of the emergence of offshore outsourcing and utility computing. While at IDC Ned was also responsible for the creation of their Worldwide Quarterly Services Tracker- a product which continues to this day.

In his spare time Ned enjoys a wide range of outdoor activities with his wife and three kids. In the winter you'll often find him skiing in the White Mountains while in the summer he'll be swimming and sailing in the cool waters off of Maine.

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Phil Fersht



Phil Fersht is President and CEO of leading global analyst authority, HfS Research. He is an acclaimed author, analyst and visionary in Global Business Services, the Digital Transformation of enterprise operations and talent development strategies.

Fersht founded HfS Research in early 2010 and has overseen the growth and development of the organization to become the leading analyst authority and knowledge community for global business services. He is also author and creator of the most widely-read blog in the global services industry, entitled “[Horses for Sources](#)” and now entering its eighth year with over a million visits per year across the globe. 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.

Over the past 18 years, Fersht has lived and worked extensively in Europe, North America and Asia, where he has advised on hundreds of operations strategy, outsourcing, and global business services engagements. At HfS, he directs and contributes to the firm’s research, advisory and global knowledge community, which today totals over 150,000 professionals and is served by a global analyst team across North America, Europe and Asia/Pacific.

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 also worked for outsourcing consultancy Everest Group, where established the company’s BPO research practice. Phil began his career at IT analyst IDC where worked in the firm's European, US and Asia/Pacific operations.

Under his leadership at HfS, HfS Research was named first in rising 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. In 2012, the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals, awarded HfS research analyst industry's Most Innovative Analyst Firm in 2012.

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.

Fersht 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.

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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