



The New World of As-a-Service: The Power of AND



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Executives who run major business functions—from finance to marketing to IT and more—are on the cusp of change in the way they buy and receive services to support their business operations. Cloud, automation, analytics, artificial intelligence, mobile ... these and other technologies have forever changed the delivery environment. The pressure is on to find new ways to leverage those technologies to achieve new and distinctive business value.

The marketplace is moving quickly towards a new era of service delivery where applications, infrastructure and business processes are brought together and delivered "As-a-Service." The As-a-Service model provides companies with plug-in, scalable, consumption-based services supported by analytics, cloud and automation and to deliver business outcomes.

Already doing this, you say? Maybe not, according to new research from Accenture and HfS Research (see "About the research" on page 11), which finds that most large enterprises are not yet transitioning to As-a-Service. Seven out of ten enterprises over \$10 billion in revenues do not expect their core operations to be delivered As-a-Service for at least another five years. (See Figure 1.) Small and medium enterprises and companies in areas such as Asia Pacific are moving more quickly, however. (See Figure 2.)

Large incumbents may be at risk if they do not innovate, move away from their legacy FTE business models and aggressively pursue As-a-Service capabilities. (See the "As-a-Service Capability Stack" on page 3.)

The distinctive power of As-a-Service lies in the power of AND—the whole that's greater than the sum of the parts. It's about the integration of software, infrastructure AND business processes on demand—plug-in, modular, scalable AND consumption based—all delivered with a commitment to measurable business outcomes AND ongoing innovation.

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

Figure 1
Forty-two percent of small and medium enterprises see As-a-Service as critical or absolutely critical for their organizations, versus 25 percent of large organizations.

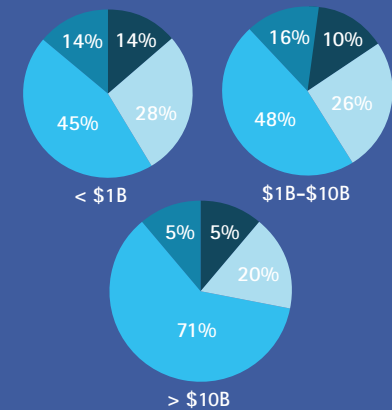
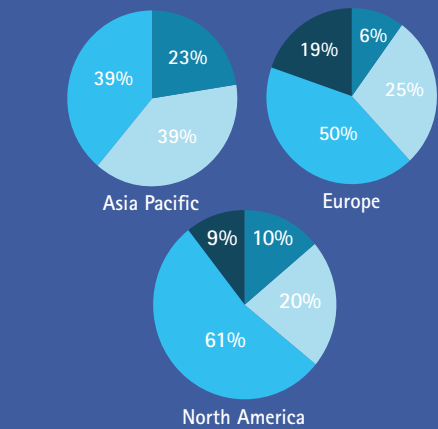


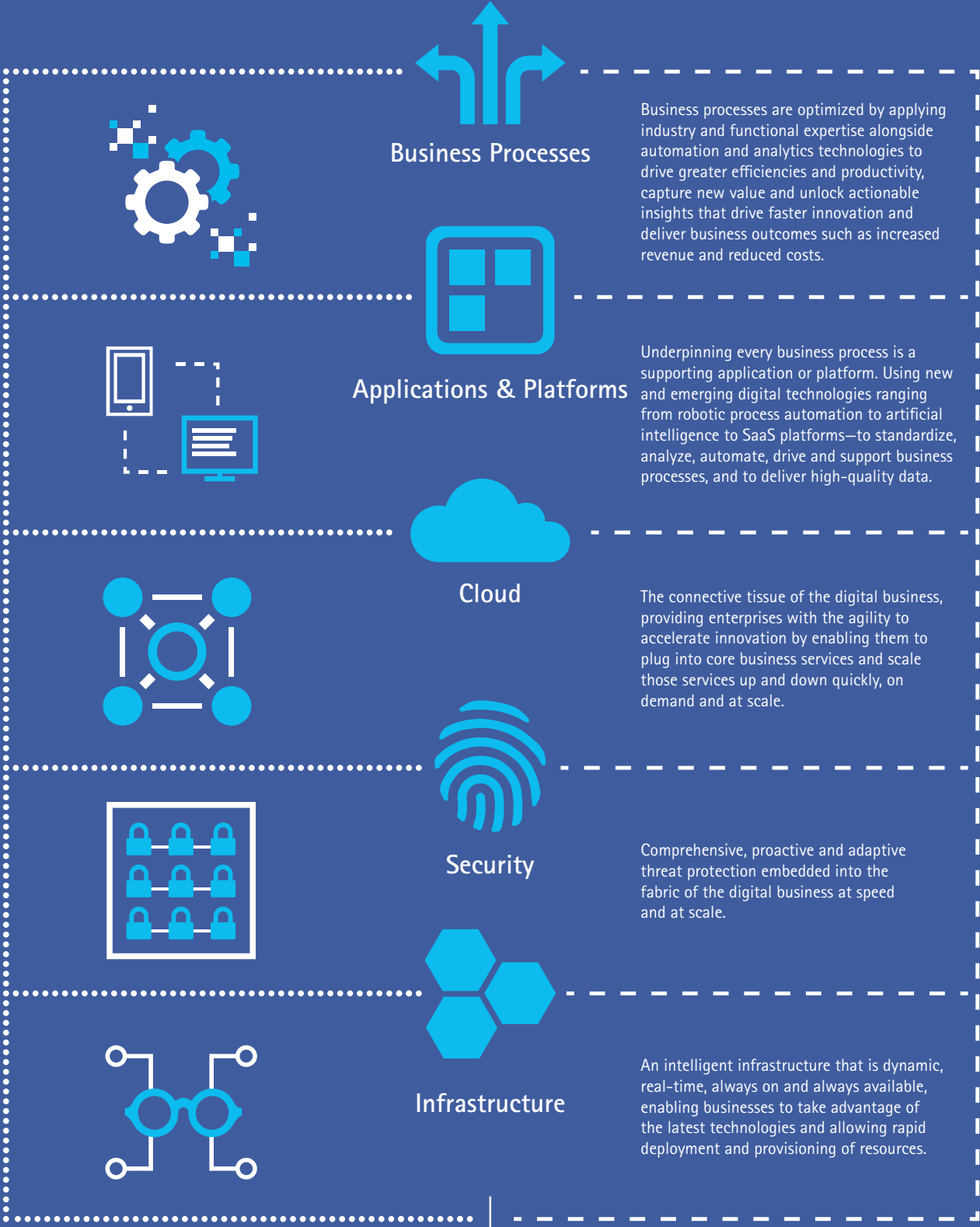
Figure 2
Sixty-two percent of Asia Pacific buyers see As-a-Service as critical for their organizations, versus 31 percent in Europe and 30 percent in North America.



● Absolutely critical ● Critical ● Significant ● Insignificant

Source: "Beware of the Smoke, Your Platform is Burning: Thriving in the As-a-Service Economy", HfS Research 2015.

As-a-Service comprises a stack of five components:



Analytics
Underpinning the entire stack of capabilities is **analytics**—descriptive, predictive and prescriptive—embedded in business processes to help companies identify trends and opportunities to streamline processes, innovate and improve competitiveness.

Expertise
On-demand access to industry, operational and technology acumen across each layer of the "stack." The combination of forward-thinking leadership with transformational consulting through to operational expertise enables continuous innovation.

As-a-Service: The Value Levers

One company that has plunged boldly into the As-a-Service economy is Deutsche Bank.

The firm is in the midst of a procurement transformation, with Accenture providing indirect procurement operations and accounts payable processing services, and also maintaining the bank's procurement IT system. Accenture is further automating the bank's source-to-pay process—including invoice processing and contract compliance management—and migrating the bank's current on-premise procurement IT platform to an on-demand, cloud-based solution using procurement software from Ariba®, SAP.

As-a-Service can transform business services, enabling more intelligent, agile and robust business operations, as well as innovation that disrupts existing business processes and supports entirely new business models.

The cloud-based solution is integrated yet modular, enabling benefits that include:

- 15 percent operational savings in procurement operations
- 15 percent operational IT savings post migration
- The introduction of process automation and the migration to a simpler, standardized, on-demand cloud solution to realize more business value
- A transformed As-a-Service procurement platform that brings greater cost control, faster procurement processing, streamlined transaction processes and an improved user experience for the bank's procurement teams including usability, management information, audit trail, control and high levels of compliance

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Consider also Rio Tinto, a global diversified mining company.

The company is moving to a new information systems and technology delivery model that will migrate core enterprise information systems and technology to a cloud-based, As-a-Service solution. The model also incorporates pay-for-use pricing so that costs are fully flexible and services are scalable based on business demand.

The program will include the modernization of the company's existing enterprise resource planning and information management platforms, consolidating and hosting these applications in the cloud. Managed via the Accenture Cloud Platform, the solution is guided by a "public cloud first" policy.

Rio Tinto expects to realize significant cost savings through increased business agility and cost flexibility inherent in cloud services, and from continued lower infrastructure prices in line with cloud economic trends. The solution is based on a platform for innovation, including a co-located innovation hub in Singapore, and a long-term commitment to partnering.

Consider this a checklist.

These solutions reflect the key value levers of As-a-Service:

- ① **Plug in:** Accessing services quickly—in days or weeks, not months. Modular design means companies can mobilize and then demobilize rapidly when necessary.
- ② **Scalable:** Ramping up and down to match actual business volume needs.
- ③ **Standardized:** Moving to a shared services model to standardize and scale processes and delivery. Repeatability is achieved with a multi-client and multi-tenant model.
- ④ **Consumption based:** Paying based on what is used rather than committing to services or functionality that may not be needed.

- ⑤ **Outcome oriented:** Working as part of a relationship where both buyer and provider are committed to specified business outcomes.
- ⑥ **Vendor agnostic:** Providing deep knowledge and experience across multiple provider offerings in order to assemble just the combination of solutions appropriate to the business and performance outcomes desired.
- ⑦ **Innovation enabled:** Committing to ongoing innovations in business processes, infrastructure and applications.
- ⑧ **Future protected:** Shielding the buyer from the potential disruption of upgrades and future change. Services are always up to date, and buyers have continuous access to innovation, scale and in-depth expertise.

If your current mode of service delivery is not hitting these value levers, you're not yet benefiting from the full power of As-a-Service.

Those successful with As-a-Service realize that today's FTE-based model for delivering process efficiencies isn't enough anymore. Companies need to focus instead on business outcomes: Can you deliver insights that will increase revenues or margins?

Market leaders: Driving process transformation

One global food and beverage company saw an opportunity to achieve aggressive cost reduction targets as well as process transformation by outsourcing parts of its procurement operations. Although the internal procurement organization was driving strong results in some spend areas, there were other areas with the potential to be managed more effectively through an As-a-Service operating model. The company's CFO recognized the opportunity to quickly plug into scalable, standardized and continuously updated services on a consumption basis—as well as deep buying category expertise and market insights—to achieve important business outcomes faster.

Today, category experts work directly with the organization's stakeholders who own HR, facilities and capital spending decisions to identify savings opportunities. Once the team agrees to pursue savings projects and begin sourcing, the provider can deliver insights via digital applications to answer questions like, "Who are the best suppliers to meet our needs?" "What's the fair market pricing for this service?" and "What terms and conditions should be in our contracts?"

These aggregate insights come from executing a shared services structure—thousands of projects across hundreds of clients. This work highlights how an As-a-Service provider can help transform the way a function is performed, and then operate the function with digital at the core.

An advanced As-a-Service approach is driving cost savings, process transformation and continuous innovation at one client, all at the same time.

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Another transformative example comes from a South American bank. The bank had specific business outcomes in mind as it considered new As-a-Service capabilities for loan origination operations: optimizing its capacity to originate, improving client satisfaction and reducing operational costs to enhance the bank's efficiency index and return over net worth.

Today, an As-a-Service approach is being used to operate the bank's residential and commercial loan origination and administration. The scope includes mortgage processing, mortgage software implementation, software maintenance and support, and infrastructure operations.

By improving the bank's origination cycle times, market responsiveness and regulatory compliance through automated and integrated workflows, the client expects to benefit from greater customer satisfaction and strong operational cost savings. Using cloud technology, Accenture is implementing, supporting and maintaining new software and front-end applications, including mobile solutions that will help the bank avoid significant additional capital expenditure.

The bank can also look for a reduction of contract analysis rework, an increase in proposal and contract conversion and enhanced customer satisfaction. Consolidation with end-to-end process integration will provide clearer accountability with vendors, while automated and integrated workflows are expected to improve risk management and controls. The solution also makes provision for future scaling and integration with other credit products.

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Meeting the challenges ahead: Keys to success

How can companies move forward briskly and with more confidence to the As-a-Service economy? Here are several factors to bear in mind:

1. Be prepared to encounter resistance and manage change

The data from our research finds that leaders want change, but those delivering operations capabilities are more cautious. A considerable disconnect exists between leadership ambition and operational execution: 53 percent of operations leaders view As-a-Service as critical compared to 29 percent of middle managers and delivery staff. (See Figure 3.) Senior leaders expect to make significant progress toward As-a-Service in two years, while their delivery staff is much less confident: 63 percent of the C-suite versus 21 percent of operations executives expect their services to be cloud-based within two years. It is important to make sure that the whole business is aware of the overall strategy and has bought into it. People need to be confident and understand the reasons for the change and the new possibilities being created.

2. Learn to buy in new ways

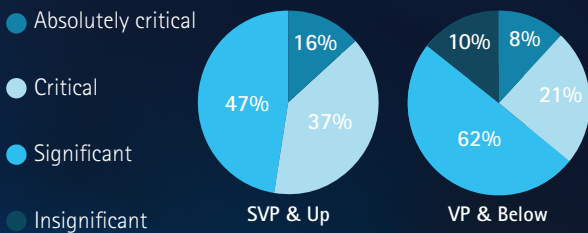
Executive leadership will need to be educated about how to buy As-a-Service. An embedded culture exists, with many leaders not yet educated on how to buy in a piece-by-piece manner. CFOs, for example, will need to move out of their comfort zone. Some might initially be concerned about how they will manage their company under this new model.

The financial value proposition of As-a-Service is compelling, however, especially when it comes to technology upgrades or changes. For a significantly less total cost of ownership, buyers gain access to continuously updated software platforms rather than implementing them from scratch.

3. Focus on leadership and talent

According to the research, only one-in-four buyers is actively addressing their talent shortfall or looking to appoint a dynamic transformation leader. To be successful with As-a-Service requires broad and deep expertise across functions, industries and technologies, and at tremendous scale. Digital technologies are disrupting the delivery environment, which puts more burden on both providers and buyers to make the investment to continually improve the people—those who can do analytics and automation, be advisors, and innovate within the business. The role of the right As-a-Service provider will become critical in addressing the talent and capabilities challenge.

Figure 3
Fifty-three percent of senior vice presidents and above see the As-a-Service economy as critical or absolutely critical for their organization, versus only 29% of vice presidents and below.



Source: "Beware of the Smoke, Your Platform is Burning: Thriving in the As-a-Service Economy", HfS Research 2015.

4. Blend your analytics and automation strategies to deliver intelligent automation

Our research found that 70 percent of companies have definitive plans for, or are considering, investments in effective analytics tools and skills. By contrast, only 40 percent are that advanced with their plans for robotic process automation. Here's the catch, however: Analytics is only effective after processes are streamlined, standardized and automated. It's the "garbage in, garbage out" syndrome. If the data on which you're performing analytics is incomplete, late or filled with errors, then insights from that data will be impaired. By moving to real-time, automated processes enacted on a secure, scalable, cloud-based platform, companies can obtain much richer and better-quality data. They can also deploy sophisticated, cognitive analytics tools to further improve the quality of insights.

5. Start small, pilot, pivot, then scale

The beauty of an As-a-Service model is that it allows you to start small and scale fast in a way that other models don't. For most buyers of services, the As-a-Service journey will start with an overall roadmap, and then proceed function by function examining how the As-a-Service value levers can transform that function to deliver specific business outcomes. How can I plug in to get functionality quickly—in a matter of days? Where can I get scalable, consumption-based services along with processes that are standardized? Do I have the talent in-house to make this transformation? What learnings can I glean from the pilot to pivot, then scale?

Consider beginning with a function that is less business critical and then use that success to build commitment with both senior leadership and middle management. Also consider a pilot in one geographic area, and then be prepared to build on successes to scale As-a-Service capabilities globally and throughout other functions.

6. Build a relationship that drives innovation

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." A provider gains in-depth knowledge over time about the buyer's business, and should bring that knowledge and its industry expertise to bear every day to drive innovation. The As-a-Service environment is far more fluid than traditional outsourcing, where buyers were generally locked into long-term contracts. Providers will need to demonstrate world-class capabilities and then continue to demonstrate their value each and every day. The best providers are not just transaction engines, but consultants—always looking for ways to advise, identify and drive additional value to reengineer and even unravel processes, not just incrementally

A new generation of business operations

As an executive with a global manufacturer recently noted, “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. Now we are exploring better automation, more creative process design and better outcome-based initiatives with our provider.”

Those words sum up well both the challenge and the promise for organizations as they buy and receive services to support their business operations in a new way. The challenge is to move away from old, FTE-based business models for operations and outsourcing—models focused on cost takeout through labor arbitrage and transaction processing. The promise is to add to those cost accomplishments—to move to a business model that is more collaborative, entrepreneurial, innovative and value driven.

There is some urgency here. Size is no longer a built-in advantage in an era that has seen small companies like Netflix, Uber and Airbnb come from nowhere to totally disrupt their industries.

Strong leadership will be required to make the As-a-Service future a reality. Buyer executives need to see and understand the vision of As-a-Service and demand change, both internally and with their service partners. For their part, service providers must be willing to undergo a transformation that may at times be painful—cannibalizing parts of their business as they move toward an As-a-Service model. Here, too, there is urgency: 61 percent of companies surveyed in our research indicated they were prepared to replace their existing service providers with As-a-Service-driven providers. With the right technology partners and platforms, a cloud infrastructure with strong security, end-to-end capabilities for business processes, and the ability to bring ongoing insights into particular business functions, buyers and service providers will help usher in the revolutionary capabilities of As-a-Service.

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ABOUT THE RESEARCH

In May 2015, HfS Research, with input from Accenture Operations, surveyed 716 enterprise service buyers, advisors and service provider executives to understand 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.

¹“Beware of the Smoke, Your Platform Is Burning,” HfS, 2015, page 11.
²“Beware of the Smoke, Your Platform Is Burning,” HfS, 2015, page 20.

ABOUT ACCENTURE

Accenture is a global management consulting, technology services and outsourcing company, with more than 319,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

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