Digital Operations for the Digital Business
Using Technology for Competitive Advantage
To what extent are digital technologies changing the operations of your company’s key functions and processes, as well as how your service provider works with you? These days, every business is a digital business—or will be soon. Technology is intertwined in nearly every aspect of the enterprise today, with information technology fast becoming a primary driver of market differentiation, business growth and profitability.

Digital technologies are also disrupting industries and markets in nearly every corner of the world. Industrial companies are becoming customer service companies. Consumer products companies are becoming Internet companies. Energy companies are becoming information companies. Media and entertainment companies are becoming logistics companies. And on and on. The question for every business today is: Are you going to allow yourself to be disrupted, or will you take the proactive steps to be a “disrupter”? Your approach to technology innovation will be key to how you answer that question.

The rise of digital is still on the horizon for many buyers and some business services providers. But it’s fast approaching. After all, if every business is a digital business, then the operations that enable and support the business—whether they’re delivered internally or through an external provider—must be digital as well.

In many cases, however, these operational arrangements are still stuck in an analog world, using a gramophone when everyone else is using an MP3 player.

This paper explores the path to digital operations and a digital BPO model—what that means and why it is important. New Accenture-sponsored research reveals the extent to which innovative technologies, including social, mobile, analytics and cloud, are driving every business today, and therefore how providers should be planning and managing operations on behalf of their clients. These insights and practical considerations into the role of technology are vitally important to ensuring the ongoing value of externally sourced operations arrangements. The research reveals that two-thirds of such engagements remain focused primarily on cost reduction, with existing processes “lifted and shifted” to an external provider and delivered from a low-cost location with little value-add from an innovation or technology perspective.

The research found that analytics and automation technologies are most relevant to buyers of externally provided business services today, but that other technologies such as cloud, mobility and social media are rising and will continue to rise in importance over the next couple of years.

Why aren’t innovative technologies being leveraged more often in externally sourced operations programs? In some cases, buyers and some providers may be too focused just on contractual obligations, which may stifle research and innovation regarding today’s game-changing technologies. It is also sometimes the case that when a buyer hands off a process to a provider it is “out of sight, out of mind,” and therefore not considered for additional investments. Engagements that are focused on using technology to drive business outcomes have a far better chance of delivering improvements in business value, not only process improvements.

This paper explores four key ways that technology can assist with achieving greater value from digital operations and business services. Such technology:

1. Executes processes on a resilient digital platform that’s designed to be secure, available on demand and easy to set up and use.
2. Is designed to offer anytime, anywhere digital insights, driven by analytics, that improve business performance.
3. Creates a digital workforce platform that supports knowledge workers’ performance through advanced monitoring and analytics tools, and that is designed to connect workers anytime, anywhere using advanced collaboration technologies.
4. Proactively manages a digital innovation ecosystem for operations, comprised of multiple partners, developers and vendors, which helps in leveraging the latest available technologies and tools.

For analog operations to become digital operations, these technologies must be integrated into new and expanded solutions—not as add-ons, but at the core of operations and at the heart of operational management, leadership and culture.

Executive Summary

To what extent are digital technologies changing the operations of your company’s key functions and processes, as well as how your service provider works with you? These days, every business is a digital business—or will be soon. Technology is intertwined in nearly every aspect of the enterprise today, with information technology fast becoming a primary driver of market differentiation, business growth and profitability.

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2. Ibid, p. 3.
What’s the impact of innovative digital technologies on enterprise operating environments these days?

The digital revolution is dramatically transforming every industry, whether it has traditionally been considered “technology enabled” or not. Digital is changing the way companies serve customers, manufacture products, interact with stakeholders, manage operations, support and engage their workforce and more. Every business is, or soon will be, a digital business.

In the meantime, how is digital reshaping the worlds of operations and business services? It’s an important question. More than 90 percent of large enterprises (revenues over $1 billion) now use external providers for the operations of one or more of their business processes. To what extent is the digital revolution transforming the way such work is designed, sourced and delivered?

The answer is not necessarily a happy one. While the rest of the business—and the rest of the world—is proceeding apace with its digital revolution, the external sourcing of operations has in many cases continued on an analog path. In a world of MP3, a great deal of operations and business services are still playing old Beatles records on vinyl, still turning at 33⅓ revolutions per minute when business users want hundreds of megabits per second.

How can enterprises and their providers step up to take advantage of the enormous opportunities that innovative digital technologies offer? How can business operations transform to become digital operations?

New Accenture-sponsored research, conducted by analyst firm HfS Research, finds that most externally sourced business services and operations engagements today take place in an environment of low expectations when it comes to technology innovation and, therefore, are not delivering the kind of value they should.

About half (49 percent) of the 189 buyers surveyed described their current engagements as “mainly lift and shift”—that is, a simple transfer of processes and people to a service provider, with limited business transformation involved. Only 28 percent said they are involved in a wide-scale transformation of business processes.

However, the potential for improvement certainly exists, since those percentages are essentially flipped when buyers are asked what they expect of those engagements in two years or so: Almost half of buyers (49 percent) expect to be in an operations engagement focused on transformation of the business and its processes. But if that turnaround is to occur so quickly, buyers and providers alike must focus on outcomes beyond transactions. (See sidebar, “Achieving transformational operations,” page 15.)

A key differentiator for achieving such transformational goals is the increased use of digital technologies and platforms.

5. Ibid.
What technologies are most important to buyers as they strive to go beyond their analog, “vinyl” approach and create a new generation of digital business services? The HfS-Accenture research focused on five such technologies: the so-called “SMAC stack” of social, mobile, analytics and cloud, plus automation. Which of these technologies are already having an impact on operational performance, and which are at a less mature stage?

As shown in Figure 1, providing effective analytics solutions is seen by buyers as the most urgent capability required. Half of the buyers stated that analytics is a critical component to making the move to value beyond cost. This is not a surprise, given the rise of “big data” and the focus on analytics technologies and capabilities from service providers over the last few years.

Expectations from buyers are high about the ability of service providers to deliver insights from analytics technologies. About one-fourth (26 percent) expect descriptive and real-time insights; one-third (32 percent) are already expecting, on top of that, predictive insights about processes and business outcomes. And 16 percent expect their providers to deliver predictive and descriptive insights about the business, linked to both internal and external data. (See Figure 2.)

The second most important technology noted in the research was “automation,” a finding that may strike some as more mundane than some of the “flashier” technologies usually discussed.

In fact, process automation is actually a key to driving better value from an operations engagement. It can:

6. Ibid., p. 17.
7. Ibid., p. 19.
8. Ibid., p. 17.

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**Figure 1: How buyers of business process services see the changing importance of different technologies to their engagements**

**To what extent is each of the following emerging technologies increasing in importance as they relate to your BPO engagement(s)?**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytics</td>
<td>12%</td>
<td>2%</td>
<td>29%</td>
<td>56%</td>
<td>1%</td>
</tr>
<tr>
<td>Automation</td>
<td>20%</td>
<td>2%</td>
<td>31%</td>
<td>47%</td>
<td>3%</td>
</tr>
<tr>
<td>Cloud</td>
<td>19%</td>
<td>3%</td>
<td>40%</td>
<td>38%</td>
<td>3%</td>
</tr>
<tr>
<td>Mobile</td>
<td>17%</td>
<td>3%</td>
<td>45%</td>
<td>35%</td>
<td>1%</td>
</tr>
<tr>
<td>Social</td>
<td>8%</td>
<td>3%</td>
<td>30%</td>
<td>18%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Reduce costs and errors and enhance compliance.

Automation can reduce costs beyond the initial labor arbitrage level while simultaneously improving the speed and quality of process execution. Automated processes can be much more efficient and effective because they eliminate human interventions that can create unintended errors or delays. This can be a critical source of value creation in processes where even the slightest error has significant negative implications (e.g., payroll processing) or where regulatory compliance is critical to business success (e.g., health care claims processing, capital markets.)

Improve job satisfaction for retained staff.

Process automation solutions can remove many of the mundane and unsatisfying tasks we currently ask our human teams to perform each day, creating opportunities to focus their time on more rewarding and value-creating activities.

Provide insights into process and business performance.

By combining process data with external data sources and streams—both structured and unstructured—business services providers can generate relevant, meaningful and timely insights that lead to better and more strategic decision-making, process improvements and unanticipated positive business outcomes.

Provide an opportunity to re-shape engagements around business outcomes.

Buyers and service providers can use the rollout of process automation solutions to re-shape their engagement contracts to ones that will quantify (often with risk-sharing economics) new types of created business value and to step away from pure FTE pricing. These outcomes, such as increased working capital, reduced Days Sales Outstanding, and improved customer satisfaction scores, are all more achievable when the underlying processes are more automated and effective.

Set an organization on the path to truly intelligent IT.

When automation becomes a part of the basic delivery of infrastructure or business process services, increasing amounts of intelligence reside in the infrastructure (and in the applications) which decreases the amount of human intervention required. The goal ultimately is for technologies to function autonomously—learning, predicting, monitoring and optimizing with minimal human intervention required.
What about the other elements of the “SMAC” stack—social, mobility and cloud? The HfS-Accenture research finds that, when it comes to externally sourced business services, these technologies’ better days lie ahead of them, at least insofar as they have an impact on value achieved. For example, buyers have not seen sufficient evidence yet that cloud technologies can have an impact on their business services engagements. More than half of buyers (54 percent) said their provider is not currently leveraging the cloud to deliver services; another 19 percent actually did not know one way or another. Both social and mobile technologies are at about the same state when it comes to having an impact on current programs.

However, when we look a couple of years into the future, we see what impact these technologies may truly have. For example, although only 61 percent of buyers believe that cloud technologies are critical or very important today, 78 percent see them increasing in importance over time. Similarly, just over half (54 percent) of buyers see extending business processes to mobile access points as critically or very important at this point; yet 78 percent see it increasing in importance over time. Social technologies score the lowest among the five technologies in the eyes of buyers today, with only about one-third of them (36 percent) seeing current value in the application of social. Even here, however, almost six in 10 buyers realize that social technologies are likely to increase in importance in the coming years. (See Figure 3 for summary chart.)


Figure 3: Relative importance of key technologies in business services engagements today and in the future

<table>
<thead>
<tr>
<th>Type of technology</th>
<th>What role can each of these technologies play in improving outcomes of current business services engagements? (% answering very or critically important)</th>
<th>To what extent are these emerging technologies increasing in importance as they relate to your business services engagements? (% answering very or critically important) (arrows signify little change or significant change from current situation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analytics</td>
<td>82%</td>
<td>85%</td>
</tr>
<tr>
<td>Automation</td>
<td>76%</td>
<td>78%</td>
</tr>
<tr>
<td>Cloud</td>
<td>61%</td>
<td>78%</td>
</tr>
<tr>
<td>Mobility</td>
<td>54%</td>
<td>80%</td>
</tr>
<tr>
<td>Social</td>
<td>36%</td>
<td>59%</td>
</tr>
</tbody>
</table>

Part 2 – Bringing it all together: Four keys to success

Creating a true digital operations environment goes well beyond putting individual technologies into the mix, hoping that the whole will be greater than the sum of the parts. Automation, analytics, cloud, mobility, social—these technologies are most effective when they are integrated into how the business operates as a multi-sourced organization.

Based on Accenture’s experience, high-performance digital operations and business services comprise four key components:

• They are executed on a resilient digital platform that’s designed to be secure and available on demand.
• They use mobile technologies and analytics capabilities designed to offer anytime, anywhere digital insights to improve business performance.
• The people who work in this environment are connected via a digital workforce platform that dramatically improves their performance and that enables their transformation from transactional workers to connected knowledge workers.
• They are supported by an actively managed digital innovation ecosystem involving multiple partners.

In short, digital technologies are transforming operations, helping buyers accelerate their journey to high performance.

1. A resilient digital platform capable of hyperscaling

Think of a digital platform at the heart of this new digital operations environment as both the circulatory and nervous system of the body; it’s the lifeblood of what you do, but it’s also the way you leverage intelligence and move insights around your company. The platform is designed to provide direct, on-demand access to secure, pre-configured services that are ready to use—anytime and anywhere. It can also scale and flex to match business needs.

Accenture expects that in the future, most processing platforms within externally sourced operations engagements will be based in the cloud. For legacy, custom applications, there will likely be an interim step in which the tools used by the workers are based in the cloud.

Going forward, we expect more emphasis will be placed not only on security but also ease of deployment. Deployment should be enabled in days or even hours, not months. Because the platform is fully digital and built in a resilient fashion it will be easier to implement changes and enhancements that a buyer requires, and to respond rapidly to changing customer, technology and marketplace developments.

The flexibility and rapid scalability of the platform is being enabled by a number of technology developments. For example, HP recently announced an upcoming module for its Moonshot server line that will nearly double performance and offer four times the amount of memory per module.11 SAP now offers hyperscale benefits with its in-memory data platform, HANA. HANA can enable high-volume, high-velocity analytics to deliver insights that can drive competitive advantage.

These innovations for hyperscale systems offer opportunities to adapt business process services to take advantage of the increased processing capabilities at lower costs. The opportunity to use hardware and not just software to deliver resilience and efficiency (better price/performance ratios) is one key to success.

From a larger perspective, the key here is to proactively “architect” resilience into platforms—creating standard solutions for specific business lines and industries while also being extensible, cost effective and resilient in the face of failure or attack.

More specifically, architecting a resilient platform means:

- Working to deliver security, privacy and data compliance in systems and processes and across the many points of potential failure in development, deployment and maintenance.
- Automating deployment of tools and platforms for instant provisioning of services at the “push of a button.”
- Using cloud infrastructure services to manage storage and compute capacity to handle elastic business demand.
- Employing robust performance monitoring and failure tracing to troubleshoot systems.
- Auditing, testing and refining operational processes and procedures required to support the non-stop operations to help ensure that the temporary failure of mission-critical systems does not result in the failure of business operations in general.

One key to resiliency is deliberately stressing the platform to see where faults or weaknesses exist and how they can be addressed. Netflix, for example, uses a program called “Chaos Monkey” that attacks its own network more than 1,000 times per week to probe vulnerabilities. By forcing the company’s engineers to deal with small network failures, the company hopes to avoid larger types of failures that might be disruptive to the business.

According to Netflix engineer Cory Bennett and executive Ariel Tseitlin writing in the Netflix tech blog, “We have found that the best defense against major unexpected failures is to fail often. By frequently causing failures, we force our services to be built in a way that is more resilient.”

As more business processes are interconnected, the prevalence of cyber-attacks is likely to increase. This must focus business services providers even more on building secure, scalable and agile systems.

2. Anytime, anywhere digital insights

A key capability of digital operations is analytics—the use of advanced analytics technologies to move a business beyond a reactive state to one that is proactive. Two points are important here. First, with digital business services, providers need to move beyond the descriptive—simply analyzing what happened in the past—to predictive and prescriptive insights, helping their clients anticipate what will or might happen in the future, and helping them decide what actions they should take to keep the company on the path to high performance. Second, the use of both internal and external data provides richer context and content for the analytics service.

A transformational change is under way today. Data collection is growing exponentially (for example—collecting data about operations, customers, telemetry coming off of devices, etc.). For this reason it is important to have tools that can digitize data delivered in any format (text, image, email, etc.). Data is also being collected more cost-effectively and being retained for longer periods of time. Big Data techniques can enable business services providers and their customers to sift through terabytes of operational and customer data for insights that could drive both greater efficiency and innovations to grow revenue.

For example, as part of a Supply Chain Operations engagement for one of the largest manufacturers of agricultural machinery, the provider created a social media capability for its warranty and claims service. Based on the social media input, the team was able to analyze consumer sentiments and perceptions toward dealer services, customer service capabilities and the complaint resolution process, all activities related to the scope of work. Issues and insights could be highlighted and presented to corporate leadership as a way to improve service.

Capabilities also exist to leverage predictive analytics that are integrated into day-to-day operations to drive decision-making. For example, at a major retail company one provider offers analytics on pricing, markdowns and inventory. The solution sends alerts to decision makers (including category managers and store managers) about imminent markdowns or pricing gaps relative to competition that can drive faster responses at the store level. When such a capability is deployed in the area of supply chain management, for example, information provided about deliveries can be as granular as pallet sizes, counts and time of arrival so that warehouse managers can plan labor and stacking activities.

Achieving those kinds of results, however, requires a different approach to data management—more integrated and less siloed across the enterprise. Accenture research shows that only about one out of every five companies actually integrates data across the enterprise.13 Our last High Performance IT survey found that even high performers still face significant data integration challenges.14

Another major stumbling block around analytics uncovered by the Accenture-sponsored HfS research is that buyers need to give their business services providers access to more detailed data if they really want value from the provider’s expertise.15 Traditional cost-based, labor arbitrage deals should not be expected to deliver much more than the occasional descriptive insight. Broader access to the necessary data is required to create the deeper level of collaboration needed to harvest innovation-producing insights.

One thing seems clear: Using a provider’s analytics capabilities as one criterion in the overall competitive evaluation is on the horizon, if not here already. According to one consultant from an outsourcing advisory firm, “When we are going through the vetting process, we ensure that our clients thoroughly assess the analytics capabilities of business service providers—both in terms of their provisioned staff, and also their technology.”

The prize of mobility
When mobile capabilities are added to the mix of business services, buyers can find new kinds of business performance and efficiency improvements opening up to them. For example, consider finance and accounting BPO. One provider offers a workflow manager for approving invoices (a task management and exception engine) that is already mobile-enabled, ensuring that companies are timely in approvals and do not have to pay late penalties. The web-based application enables advanced functionalities for finance and accounting BPO clients to efficiently process accounts payable and order-to-cash documents—making buyer approvals on invoices much more convenient. Key features include the ability to facilitate electronic sort, data entry and integrated workflow activities to ensure timeliness of payments. Additionally, it provides a consistent and auditable mechanism for dealing with queries and exception handling through the mobile user interface, to enabling users to resolve workflow cases anytime and anywhere.

Mobile capabilities are also easing another customer pain area in the procure-to-pay process which is that of Goods Receipt. At many companies, high percentages of invoices are put on hold because the Goods Receipt Note for a purchase order is not logged in the system. This situation can result in missed discounts, late payment penalties and higher cost to serve due to manual efforts involved in managing invoices on hold. It can also lead to supply chain problems through lack of visibility into raw materials and finished goods for fulfillment. Most owners of purchase orders are highly mobile—for example, warehouse personnel—and manage more than desk jobs. To address this challenge, one provider has created a mobile application that receives goods and integrates that information with the ERP system to record the transaction.

Mobile learning and performance support is another promising area within a digital operations environment. For example, one provider created a wireless eLearning application to improve certification processes for a multinational metals and mining company. The application provides remote, mobile access to compliance assessments, helping ensure compliance for workers before they enter the mines. The online application delivers faster processing of results, streamlines management of the assessment process and improves employee safety by automatically updating corporate records to track completions—a critical business objective.

3. Capabilities to connect and support the digital workforce

The platform at the heart of digital operations also connects the workforce in powerful ways, providing capabilities that enable information workers across the value chain of an engagement to improve their productivity, collaborate more readily and serve customers more effectively—and also to provide a more fulfilling work experience.

The “consumerization of IT” is one factor here. Customers and employees are pushing for consumer-grade experiences even in the workplace; they want low-cost, accessible and often intelligent applications like those they use every day on their personal mobile devices.

In general, the capabilities that serve the connected digital workforce can be summed up as an integrated desktop or consolidated workspace—an integrated collection of “mash-ups” that bring together content and information from multiple sources, creating a new, unified and contextualized service.

More specifically, this digital workforce capability includes:

**Performance support**
Connected knowledge workers are provided with resources and support that they need to complete tasks, including:

- Contextually relevant, just-in-time training at the point of need
- Required information and reference materials, tailored to current tasks
• Access to peers and managers/supervisors to answer a question via collaboration and social media technologies

Workers are also incented and engaged to stay up to date on the latest knowledge and approaches to their work through gamification, including short games and tests.

Digital user experience

Resources are made available instantly to workers and presented in a context-aware manner. The platform and its applications can sense, or even anticipate, the needs of a worker and allocate work to the right resources so that knowledge workers can focus on their unique value-adding activities. Translation of information, documents and dialogue in foreign languages occurs automatically. The platform provides an end-to-end digital experience, with no need to leave the workstation screen or switch from tool to tool or screen to screen; the experience is seamless from start to finish.

Other technologies support improved productivity for users. Intelligent scheduling tools offer automated prioritization and scheduling of work tasks. Voice-activated and voice-recognition software, for example, is used to enter data, specify instructions or to avoid taking hands off the keyboard and mouse when looking up information, calling a contact or serving customers.

Collaboration

Social and collaboration tools provide personalized assistance to the connected workforce. Real-time collaboration and chat are enabled through applications such as Lync or Blue Jeans to enable conferring with colleagues and clients without leaving the process at hand.

“Predictive matching” capabilities provide a list of contacts that are specialists in the task at hand, and who are online and available. Relevant content from blogs, posts, websites and forums is made available, and this information is rated by informed peers and contacts to help workers select the most useful and reliable information from oceans of content to perform services required.

Enterprise social networking tools (e.g., Yammer, Jive) and knowledge management tools (e.g., Sharepoint) are embedded within the digital workforce platform to enable easy access to sources of information that may be needed to complete tasks.

As noted earlier, our research program conducted with HfS revealed that social media has yet to make much of an impact on business services engagements. However, some innovators are using social media, not only in expected areas such as Human Resources BPO (for recruiting) and Marketing BPO (for customer contact and engagement), but also in a range of other functions.

Even more significant are innovations that can more directly link social media sentiment and activity to process improvements. For example, for a Health Administration BPO engagement for one of the leading health payers in the United States, the provider was able to link member comments on social media to process data. This enabled insights such as the occasions when claims were actually not denied while social commentary said otherwise. Analytics conducted on Twitter traffic has helped uncover potential reputational risks due to unresolved claims or coverage issues for members.

Social media input can also be used to improve process performance. As an example, comparisons can be made between what social chatter is saying about wait times to speak with an agent or issues not being resolved on a first-call basis, and the actual customer service metrics. If the service falls within acceptable boundaries as established in SLAs but customers are still reporting dissatisfaction on social media, the company might want to revisit whether the accepted service metric is actually resulting in satisfied customers or whether it should be recalculated.

Analytics and automation

From an automation perspective, computers will perform the tedious activities for knowledge workers on the digital platform, and workers will be provided the information they need to deal with the true exceptions, provide real business insight and focus on improving business outcomes and metrics. Supporting knowledge workers through automation also includes:

• Enabling computers to complete straightforward, manual tasks.
• Incorporating “Digital Assistants” to help answer standard questions and queries.
• Using technology to automatically allocate work items to resources based upon their capabilities.
• Leveraging machine learning wherever possible to adapt to new processes and enhance existing processes for efficiency.

A digital workforce platform also includes robust analytics, which depends on effective data management. The platform helps ensure that the data captured or discovered are the right data to provide the most important business insights—and all the data needed is right at the workstation so that a worker does not need to interrupt the general process flow or leave the workstation screen at hand.

Making this happen depends on defining a data supply chain to address key business questions, leveraging both traditional transactional data sources and external digital sources. The data supply chain is underpinned by a data platform that enables management of both structured and unstructured data.

In these ways and many others, the digital workforce platform transforms how work is conducted. It helps ensure that business processes are optimized. Repetitive work can be automated (see earlier discussion of automation as a key technology), which reduces errors and increases quality. Intelligent systems instantly deliver information needed, in the proper context.

These capabilities eliminate the need for mundane data-entry work and can make digital operations jobs more fulfilling, something that influences employee engagement and retention. The work itself becomes more interesting. Employees working on business services engagements can be “information detectives” and “continuous improvement specialists,” not just transaction processors.
“No man is an island, entire of itself,” runs a line from a famous John Donne poem. Similarly, no company—neither the buyer nor the service provider—can sustain high performance without relying on, and working with, others across the business and technology ecosystem.

The speed of technology and market change is a key driver here. Rapid changes in technology are driving a new and ever-changing ecosystem. The technology landscape for any organization is being expanded and optimized to include more application providers and a combination of on-premise and on-demand/cloud-based solutions.

With changes and new entrants in the market, being vigilant about new solutions and even doing small-scale pilots of new technologies to test their relevance is critical. It will be important to develop the right alliance partnerships to drive increased value and new growth opportunities.

These relationships serve several purposes. First, they enable providers and buyers to know what tools and technologies are coming into the marketplace or in development that might generate new services, achieve results faster or improve productivity. It is important to be open to innovations from your most established partners and vendors and also from unexpected places—something that requires connections with research institutions, universities and government agencies.

Second, these relationships support what we can call a more “modular” approach to digital business services because specific functional or industry platforms can be located and leveraged to serve a particular need. Although there will continue to be large enterprise software systems to support core functions such as manufacturing or finance, given the push for greater operational agility, we expect to also see simpler, more modular applications being used that are both low cost and easy to deploy. For example, Mortgage Cadence (now owned by Accenture) is a loan-origination platform to process mortgages on behalf of Accenture Credit Services’ BPO clients. The platform helps to provide end-to-end services including processing, underwriting, closing and post-closing activities. The platform can be offered through a variety of business models as well, including software as a service (SaaS), business process as a service (BPaaS) or as a bundled business service.

Finally, these relationships can often deliver solutions that might not have been possible by either company working alone. For example, Accenture and Ariba (an SAP company) are now offering new cloud-based solutions that deliver advanced procurement, as well as finance and accounting, business process services. The first solution to be delivered will provide electronic invoicing (e-invoicing) capabilities via the Ariba Network. This will automate invoice transmission and receipt, delivering benefits such as:

- Increased productivity for invoice processing, thus reducing the cost per invoice
- Increased opportunities to optimize working capital through reduced late payment penalties and early payment discount capture
- Improved invoice compliance, reducing errors and invoice rejections
Industry insiders have known for some time that the use of leading-edge technologies is a factor separating the best business services relationships from others. Accenture’s “High Performance BPO” research, conducted a couple of years ago, found that in the best buyer-provider relationships, technology is a source of innovation and advantage, not just the infrastructure of delivery. For example, 56 percent of high performers believe it is important to gain access to technology in a buyer-provider BPO relationship, while only 34 percent of typical performers agree.\textsuperscript{17}

Effective technologies and architectures contribute to cost reductions and more efficient operations by streamlining the systems environment and reducing the number of systems involved, often standardizing the technology environment on a unified, centralized and resilient platform, as discussed in this paper. However, high performers are also using technology in their business services engagements to improve the efficiency and productivity of processing, provide effective monitoring of performance, offer greater transparency, and drive innovations to fuel new generations of products and services.

The HfS-Accenture research confirms that buyers seeking greater technology-enabled transformation are reaping much better results from their standard services: 80 percent of them view their engagements as “quite” effective to “highly” effective.\textsuperscript{18} This is indicative of the impact technology enablement can bring to standardizing processes and workflows that underpin process delivery and that enable greater visibility and control for buyers.

Slightly more than half of buyers with technology-enabled business services engagements (52 percent) are seeing real progress in moving away from the “lift and shift” model for delivering business operations, where the primary value metric is based on cost per full-time employee (FTE). This is twice the proportion of buyers that haven’t undergone technology-enablement of their processes. According to a finance executive for a major media firm, “Since we renewed the contract, we now are paying for our accounts payable service purely by cost per invoice processed; we have greater visibility and predictability into our costs now.”\textsuperscript{19}

Other buyers, still operating in less mature operations environments without technology enablement, struggle to move away from the FTE model because they do not have the data and visibility into their transactions. While some buyers have embarked on gain-share initiatives—for example, offering incentives to their providers for speeding up their collections processes, or achieving greater savings from spend management—they have found it almost impossible to develop predictability of transaction volumes without a strong technology underpinning.

In short, many “lift-and-shift” operations and business services engagements have hit a wall when it comes to increasing the value derived from the relationship. To a significant extent, breaking through that wall requires more use of innovative technology tools and platforms to promote common standards, automated workflows and meaningful data to support decision-making.

\textsuperscript{17} “Achieving High Performance in BPO,” Accenture, 2012, p. 9.


\textsuperscript{19} Ibid., p. 13.
Conclusion

Becoming a digital business—and achieving digital operations—is no longer simply about how we incorporate technology into our organizations; it’s about how we use technology to reinvent those organizations and reinvent operations to get out in front of the dramatic changes that technology is creating. For companies and their service providers, the opportunity to shift from disrupted to disrupter cannot be overstated. The question all businesses must now ask is how they will use the coming years to redefine their places in this new world.

Organizations should bear in mind the four key components of digital operations:

1. Architecting for resiliency. In the digital era, providers must support wide-ranging demands for nonstop processes, services and systems. This has particular value for businesses given the need for a secure and “always-on” IT infrastructure. Resilient practices can mean the difference between business as usual and erosion of brand value. The upshot is that operations must adopt a digital mindset to ensure that systems are dynamic, accessible and continuous—designed for resilience in the face of failure or attack.

2. Incorporating analytics and mobility to help deliver real-time, digital insights—anytime and anywhere. With digital operations, providers and buyers have the opportunity to overcome traditional “reporting” capabilities that merely tell you what happened. Predictive analytics technologies offer the promise of helping an operational account team predict what’s coming. Mobility, too, offers advantages that have yet to be unlocked with many provider-buyer relationships today.

3. Connecting the digital workforce. A connected, informed workforce performs at higher levels and has higher rates of job satisfaction. Technologies can significantly change the nature of the work involved on operational engagements and improve performance. A digital workforce platform helps to optimize workflows, automates key work steps, digitizes data, incorporates analytics and makes enhanced information available through a digital workflow tool. Workers have access to collaboration tools and social media channels as and when needed. In sum, the digital platform will enable the workforce to become connected knowledge workers that can make higher-level contributions.

4. Enabling and participating in a digital innovation ecosystem. The world of technology and business is too complex and fast-moving today for a company to think everything can do it all itself. Of course, outsourcing is by its nature a collaborative endeavor; however, the larger ecosystem of technology vendors, research institutions, integrators and other entities needed to keep a competitive edge is significantly larger than just a buyer and provider. Effective engagements are constantly tapped into events and evolutions in the marketplace.

The road ahead is sometimes uncertain, given the rapid pace of change and disruptive elements in the marketplace. But one thing is clear about the future of business services and operations: All roads lead through digital.
Achieving transformational operations

To achieve truly transformational services as part of digital operations, some key things must happen. First, buyers must have higher expectations about driving results beyond just improved and lower-cost transactions as they establish outsourcing relationships to support their operations. They need to then embed those expectations into the structures that support the ongoing management of the relationship.

After a deal is signed, many buyers staff their governance teams with contract managers and transactional staff tasked with simply meeting the standard operational metrics and ensuring that the engagement is running on budget. When such buyers realize they need to look at new methods for achieving additional productivity beyond the initial labor arbitrage gain, they become frustrated with their teams’ inability to develop more transformative and innovative capabilities. In many cases, the delivery teams had no involvement in the initial contracting of the agreement, nor any visibility into the primary motivations of buyer and provider. They were simply handed an engagement to run and metrics to attain, with minimal (or no) inclusion of any collaboration or co-innovation initiatives.

Finally, service providers themselves need to become more vigorous and proactive when it comes to innovation and technology solutions that can provide transformational capabilities. More than half the buyers surveyed are dissatisfied with the technology solutions and level of automation being incorporated into their externally sourced services. Barely four out of ten buyers can attest to some positive performance based on new initiatives and analytics-based insights from their providers. Providers who can offer these capabilities in a cost-effective manner have an opportunity to separate themselves from the pack.
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