Digital Transformation Services
an HfS Blueprint Primer

a.k.a. The Digital Big MAC
Excerpt for Accenture

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Executive Summary
Key Highlights in Digital Transformation Services

- **Front Runners.** Accenture, IBM, TCS, Cognizant and Infosys occupy the select group of “Front Runners” as each has demonstrated the industry expertise and technological innovation to craft leading edge solutions across a variety of clients.

- **Challengers.** Wipro, HP, Capgemini and Unisys are this year’s “Challengers” each in the hunt for the top positions. They have all the skills and experience to meet the challenges presented by any digital project but could benefit from greater coordination and centralization around their entire portfolio of Digital skills.

- **Rising Stars.** IGATE and CSC round out this year’s “Rising Stars” with each providing strong examples of Digital Transformation and only needing to now do so on a much broader scale.

- **The Market Remains Immature.** While the upside around Digital Transformation is significant, and providers should and are addressing it now, it remains in dollar terms fairly nascent today. While new business models are visible and new revenue streams are being realized, these still remain far from the norm.

- **The Market Is Moving Fast.** Given the amount of focus and energy invested around Digital Transformation in the first half of 2014, we expect a flurry of activity in the second half of 2014 and for this to increase throughout 2015. Savvy enterprise buyers might even be able to fuel a bidding war among providers as the hunt for reference wins gets frothy short term.
As we anticipated at the outset, 2014 has shaped up to be the year Digital Transformation takes root as a unifying theme for IT Services providers. Nearly every major IT services provider is using the term Digital in go-to-market messaging today. As such, the phrase has taken on an extraordinary breadth of meaning, so much so, perhaps, that one might easily be excused for being confused.

This report sets out to clarify HfS’ definition of Digital Transformation and to explore the respective positioning of the leading IT Services providers in the market today. However, rather than narrowly define and corral the topic, we have purposely cast a wide net with a goal of highlighting the range of activity currently underway. The rationale for this is that Digital Transformation does not merely represent a new external market opportunity for IT Services providers but will likely lead to a reconfiguration of the very markets they are operating within.
Digital Transformation in its purest sense is the change that results when one migrates away from a physical task, for example, the shifts that occur in a business’s underlying processes and infrastructure when it sells goods online rather than in a physical store. As such, Digital Transformation is as old as information technology itself, so why suddenly have we entered a phase where Digital as a moniker is beginning to stick again?

The reason is that we are entering a wave of rapid technology enablement fueled by a cross-pollinating collision of the proliferation of mobile devices, the development of sophisticated analytics and the emergence of Cloud delivery. In short, computing has spread out to the edges of every activity, and we are now able to glean meaningful and actionable insight from this at reasonable cost. As such, leading enterprises are adopting these technologies to drive business gains, and laggards are realizing they must either keep up or they may be forever left behind.
Positioning the Digital Transformation Service Providers

Digital Transformation represents a diverse set of activities – everything from modernizing a back office legacy application to designing a new customer engagement model to be delivered via a mobile app with many disparate services in between. As such, conducting an apples-to-apples comparison across providers requires a high-level view that compares outcomes rather than individual underlying technologies.
Three Circles of Readiness for Digital Transformation

In the realm of Digital Transformation, HfS groups IT Services providers in one of three circles as determined by the maturity of their offerings and capabilities within this emerging market.

- **Front Runners:**
  These providers are at the forefront of Digital Transformation – driving and defining the change for all involved. These providers make a great fit for those looking to aggressively embrace change – understanding the level of challenges and opportunities that breaking this new ground will entail.

- **Challengers:**
  These providers demonstrate strong capabilities in both execution and innovation but focus more on enabling rather than driving the change. These providers make a great fit for an enterprise that brings a clear but more measured vision of adoption.

- **Rising Stars:**
  These providers demonstrate considerable capabilities in both execution and innovation around Digital Transformation but for a variety of reasons have faced some constraints in their amount of overall initiatives underway. Providers in this wave make an excellent choice for those looking to experiment and want a strong partner to co-develop a solution.
The Digital Big MAC Defined

- For this HfS Primer Report, we incorporated previously published HfS Blueprints on:
  - Enterprise Mobility Services
  - Enterprise Analytics Services
  - Cloud Infrastructure Services

- We then augmented this with soon-to-be published research on Cloud Integration Services as well as ongoing briefings across all of these markets.

- Finally, we included our annual enterprise buyer survey data on these service providers.

- Market descriptions for each of the three previously published Blueprint reports on Mobile, Analytics and Cloud are found in the following pages.
Enterprise Mobility Services

The Enterprise Mobility Services market centers around three unique opportunities – with each requiring a different set of critical skills. Providers may operate across all three of these but typically excel in one area over another.

OPPORTUNITIES & REQUIREMENTS:

1. Discrete Apps: User experience and user interface design is critical but so is the ability to scale.
2. Integration: Deep technology implementation skills are a requisite but also require some design.
3. Transformation: Business process and vertical industry insight are the starting point but all capabilities will be at play.

Managed services / outsourcing is an option for delivery across each phase.
Enterprise Analytics Services

The opportunity for service providers in the Enterprise Analytics market centers around five unique opportunities. Providers may operate across all five but typically excel in only a few.

- **Analytics software, infrastructure design and maintenance**
  - Enterprise data warehouse design and/or implementation
  - Infrastructure design and/or implementation
  - Implementation of batch-based/near real-time ETL software product(s)
  - Implementation of reporting software product(s)
  - Implementation of advanced analytics software product(s)

- **Analytics data preparation and management**
  - Data integration-consolidation from disparate sources
  - Data entry, deduplication of records
  - Data/Analysis enrichment through primary research
  - Data/Analysis enrichment through secondary data sources

- **Routine reporting and dashboarding**
  - Design and generation of routine reports
  - BI support
  - Visualization and dashboard design

- **Advanced analytics modeling and ongoing decision support**
  - Interpretation and analysis of structured and semi-structured data
  - Development and implementation of customized analytics model(s)
  - Implementation of recommendations from interpretation of analysis

- **Analytics consulting**
  - Strategic planning and business case development through analytics consulting
  - Analytics and data infrastructure road mapping
Enterprise Cloud Services

Cloud computing is being adopted by enterprise in three unique ways leading to three unique opportunities for IT Services providers as well.

- **Layer 1: Infrastructure (Build).** IT departments or third-party providers seeking help building out the nuts and bolts of Cloud-based infrastructure.

- **Layer 2: Applications (Integrate).** Enterprises needing assistance to adopt new delivery models. The initial focus was on integration services around leading cloud services such as SalesForce.com, NetSuite, Workday and ServiceNow, but this activity is rapidly starting to diffuse.

- **Layer 3: Business Services (Deliver).** Providers, primarily with a BPO background, proposing radical change to an underlying business process by embedding delivery of a specified business outcome within a new technology driven platform.
Digital Transformation’s Five Key Traits

Digital Transformation is well underway today. We cannot say it enough. The future is not waiting for tomorrow. It is here today and we have been documenting it over the past year. For those hoping to reference some definitive turning point, you are waiting in vain.

So what then does Digital Transformation look like? Digital Transformation is as much about the impact on providers themselves as it is about the needs of the markets they serve. Specifically, it brings five key changes to the provider market – changes we highlight in our ongoing research per the examples below. The five traits are:

1. **New business models emerge.** As IT Services providers look to push a message of transformation, they are being asked (or afforded) the opportunity to embrace this themselves. As a result, we are seeing a rise in revenue gainsharing models where a provider delivers a set of underlying services in exchange for a share of profits pegged to a specific business outcome. **Bottom line: Digital Transformation will rewrite the underlying economics for services firms.**

2. **Sacred operating models get shattered.** When a new market emerges, it does so via a set of new definitions that establishes its uniqueness and allows it to take shape. These “rules” often take on a significance of their own, but as the market evolves into a mainstream opportunity, these rigid definitional distinctions ultimately become obstacles not advantages. Such is the case today with Cloud, Analytics and Mobility. The core concepts matter, but greater value is obtained by taking a broad and open approach to the enabling technologies and what they can bring. **Bottom line: Digital Transformation will become embedded in every conversation but the focus of none.**
3. **A focus on infrastructure readiness prevails.** As providers push their messaging around the positive outcomes that Digital Transformation can bring, they are being asked to rationalize disparate legacy apps to enable this change. This raises the focus on solving the challenge of infrastructure readiness and who can best weave it all together. **Bottom line:** Digital Transformation requires us to fix our old problems before we can realize its promise.

4. **Old technologies become new friends.** As new markets emerge, they often revolve around shiny new features that ultimately cloud our ability to extrapolate where they are truly headed overall. True progress comes when we move beyond this feature focus to embrace the whole. Take for instance the mobile market where early on we saw smartphone apps become the end rather than the means. Today, leading services providers are thinking well beyond this and presenting Digital Transformation offerings that leverage the full capabilities of these phones and integrate them into how a business is run, not just how some information is accessed or displayed. **Bottom line:** Digital Transformation requires us to look beyond the obvious in what new technologies offer.

5. **Old friends become new technologies.** In a similar fashion, Digital Transformation creates opportunities for new forms of information and insight to be gleaned from the traditional ways we already conduct business today. For example, email trails are being mined via sophisticated analytics to determine patterns of communication that may indicate future problems among partners. Sensors are now being deployed on physical objects to allow them to become part of information context that was impossible before. **Bottom line:** Digital transformation requires us to look for new insight among existing processes and tools.
Despite the current activity being well underway, it is important to point out we remain in the earliest of stages for this market, and the battle for dominance continues to play out – both across the underlying enabling technologies as well as the providers themselves.

After all, the iPhone – arguably one of the single greatest drivers of this opportunity – is only seven years old. These markets are moving fast, and there is a tremendous amount at stake for every participant – be they hardware, software, services or some combination of all three. Expect the activity to intensify.
While a flurry of buzz words will continue to flow around this space in 2014 and beyond with the likes of Systems of Engagement and the Internet of Things both gaining ground, the bulk of activity for Services Providers will continue to center around three activities.

1. Developing their own proprietary platforms
2. Refining and honing their skills at Services Integration
3. Adding a few major reference transformation projects

As this occurs, deep industry expertise, as well as analytics skills, will become increasingly in demand. So too will be the need to form actionable partnerships with other services providers and to organize oneself to market and sell in more efficient ways as multiyear infrastructure and process deals get squeezed out by ongoing collaborations measured by business results.
Research Methodology
Research Methodology

Data Summary

- More than 2,500 data points were collected covering 11 IT Services providers across mobility, analytics and cloud.

- Data was collected from Q4 of 2013 through Q2 2014 covering buyers, providers and advisors/influencers of these services.

This Report Is Based On:

- Tales from the Trenches: Interviews with buyers who have evaluated service providers and experienced their services. Some are supplied by service providers, but many are gathered through interviews conducted with HfS Executive Council members and participants in our extensive market research.

- Sell-Side Executive Briefings: Structured discussions with service providers were intended to collect data necessary to evaluate their offerings, structure and strategy along the lines of innovation and execution.

- Publicly Available Information: Financial data, website information and presentations given by senior executives and other marketing collateral.

Participating Service Providers

Participants were selected from the leading global IT Services providers and had to meet two criteria:

1) They needed to have been included in at least one of HfS recent Blueprints on Mobility, Analytics and Cloud.

2) They needed to be a named provider within the ranking section of our annual enterprise buyer survey.
## Key Factors Driving the HfS Primer

### Evaluation Criteria

Two major factors:
- **Execution** represents service providers’ ability to deliver services. It includes:
  - Solutions in the Real World
  - Quality of Customer Relationships
  - Flexibility
- **Innovation** represents service providers’ ability to improve services. It includes:
  - Strength of Vision for Digital Transformation Services
  - Future Alignment with Changing Market
  - Strength of Cross-Company Digital Organization

### Criteria Weighting

Criteria are weighed by crowdsourcing weightings from the four groups that matter most:
- Enterprise Buyers
- Service Providers
- HfS Research Analysts Team
- Advisors, Consultants and Industry Stakeholders
ASSESS YOUR APPETITE FOR CHANGE

As the most significant new selling opportunity of a decade if not more, Digital Transformation is generating tremendous buzz across the IT Services landscape. Nearly every major provider is aggressively marketing itself as a leader in the field today.

So what is a buyer to do? Enterprises are advised to assess their internal appetite for change. If you are still at the experimental phase and only looking to test the waters of Digital, a skilled partner found in the lower left side of the provider matrix on Slide 23 might be willing to invest more energy getting you where you want to go in return for becoming a reference account. However, if you are in a market or industry that needs to quickly go all in, you may be better off with a front runner today.

Also understand that some firms excel at execution while others excel at innovation, and these relative strengths can differ within an individual provider’s own big MAC. For example, the diagram at right portrays a firm that is strongest in mobile innovation and brings balanced strengths in Analytics but lags a bit around innovation in Cloud. (The farther a plot is from the center the stronger the offering.) Use these diagrams to match a provider’s strengths with the skills you need.
Service Provider Profile
Digital Big MAC – Leadership Circles

- Front Runners: Accenture, IBM, Cognizant, TCS, Infosys
- Challengers: HP, Wipro, Capgemini
- Rising Stars: IGATE, CSC, Unisys

INNOVATION vs. EXECUTION
Relative Strength Across the big MAC

**Our Take:**

With its relatively recently announced reorganization that highlights Digital and facilitates cross-capability initiatives, Accenture is one of two true standouts in the market. In short, it has the goods in its industry expertise, its delivery skills and now its organization structure to boot. This is not to imply it’s all downhill; the company will need to put it all together to create real world examples of client success but it is ahead of the pack in terms of the depth and breadth it brings.

**Strengths**

- Depth of digital marketing combines deep understanding of CMO challenges with strong technical capabilities around analytics.
- Accenture has significant investments in UX design with a network of 23 studios and access to 1,500 designers as well as in-house talent including that from three acquisitions in 2013.
- The company is extremely innovative in its view of “mobile” as it goes well beyond devices with a broad vision around connected products.
- It has a wide array of proprietary tools and platforms that enable it to provide faster delivery at lower cost.
- Accenture is very capable of linking generic Cloud Infrastructure Services to industry-specific solutions given its long track record of successful business transformation projects.
- Strong performance by technology consultants in moving applications to the Cloud enables it to push a broad story of Digital Transformation.
- Accenture has very strong capabilities and a vision across the analytics value chain, from strategy and analytics roadmap development to ongoing decision support and advanced modeling.
- With one of the largest analytics practices spread globally, Accenture has immense flexibility in delivering enterprise analytics through consulting and outsourcing services.

**Challenges**

- “Digital” today does not formally contain elements of infrastructure business and is focused primarily around customer experience and sales and marketing analytics which may create blind spots in transformation.
- Accenture is sometimes perceived by clients and prospects as being more expensive, though it performs well when total cost of a solution is taken into account.
- The company may increasingly face pressure from Public Cloud vendors – both in infrastructure and SaaS which, with a much lower cost base, could begin to put cost pressure on the hybrid space.
- Accenture is trying to create a distinct identity for the enterprise business analytics practice under the brand of Accenture Analytics, but it also operates analytics capabilities within Technology and Operations Growth Platforms. Those capabilities will need to be aligned over time.

### Key Acquisitions & Partnerships

**Acquisitions:**
- Evopro Group, Acuity Group, Fjord, NewsPage, avVenta Worldwide, Symbian, CAS, Mogenesis, i4C Analytics, ChangeTrack Research, Neo Metrics Analytics S.L., CadenceQuest

**Strategic Partnerships:**
- Avanade, Apigee, Adobe, Hybris, Crittercism

**“Digital” Operating Structure:**

Accenture Digital integrates the company’s capabilities across Accenture Interactive, analytics and mobility to provide clients with a comprehensive portfolio of business and technology services – from developing digital strategies to implementing digital technologies and running digital processes on behalf of clients. This group includes 23,000 Accenture professionals.

**Proprietary Platforms & Software:**

About the Author
Ned May
Senior Vice President, Digital Transformation Services & Solutions, HfS Research

Overview
• Ned’s remit at HfS is to develop cutting edge research focused on the business impact of emerging technologies across the full spectrum of IT Services.
• As a senior adviser to IT and business executives, Ned combines a love of long-term thinking with a strong appreciation for excellence in execution.
• Over his 20 year career, he has helped hundreds of clients navigate and capitalize on changing landscapes and led diverse research teams while launching and running new products often aimed at directly cannibalizing existing offerings.
• He is an acknowledged industry advisor, strategist, author and speaker.

Previous Experience
• Vice President and Practice Leader, Outsell Inc. Authored groundbreaking studies on the impact of emerging technologies, the evolution of business information and the new opportunities presented by mobile interfaces. Oversaw the development of an interactive online benchmarking tool serving executives.
• Program Manager, IDC. Ran the Worldwide IT Services research program and covered the largest global players during the emergence of offshore outsourcing and utility computing. Was also responsible for the creation of the Worldwide Quarterly Services Tracker – a successful product which continues to this day.

Education
• MBA, summa cum laude, from Babson College
• BA from Bowdoin College with a double major in Economics and Government
About HfS Research

HfS Research is the leading independent global analyst authority and knowledge community for the business and IT Services industry.

HfS serves the research and strategy needs of business and IT operations leaders across finance, supply chain, human resources, marketing, customer management and core industry functions. HfS provides detailed and thoughtful analyst coverage of the various areas that impact successful business outcomes, namely, process automation and outsourcing, global business services frameworks, mobility, analytics and social collaboration. HfS also focuses heavily on talent acquisition, development and motivation strategies. HfS applies its acclaimed crowdsourced Blueprint Methodology™ to evaluate the performance of service providers in terms of innovating and then executing against those business outcomes.

In addition to researching business operations strategies and their technology enablement, HfS educates and facilitates discussions among the world's largest knowledge community of enterprise services professionals, currently comprising 140,000 subscribers. HfS Research facilitates the HfS Sourcing Executive Council, the acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to share the future direction of the global services industry and discuss 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 2013, HfS 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 2010 and 2011, HfS was named “Analyst of the Year” by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals, and achieved the distinctive recognition of being voted the research analyst industry's Most Innovative Analyst Firm in 2012.

Now in its seventh year of publication, HfS Research’s acclaimed blog “Horses for Sources” is widely recognized as the leading destination for unfettered collective insight, research and open debate about sourcing industry issues and developments.

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

Reports:

HfS Blueprint Report: Enterprise Mobility Services
HfS Blueprint Report: Enterprise Analytics Services
HfS Blueprint Report: Cloud Infrastructure Services

Blogs:

The new table-stakes: Fixing the analog present for a digital future

The digital failure of today’s operations talent: Two-thirds of enterprises are falling short
http://www.horsesforsources.com/digital-failure-operations-talent_061014