THE PROMISE OF AS-A-SERVICE

IT'S HERE AND NOW
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In 2015, when Accenture and HfS surveyed executives about the maturity of an as-a-Service delivery model for business processes and IT, the results were surprising. We found that a significant majority of organizations (68 percent) believed that their core enterprise processes would not be delivered as-a-Service for five or more years.¹

How quickly things have changed. By late 2016, another HfS report² found that 56 percent of senior business leaders surveyed want to adopt as-a-Service features such as intelligent operations within two years.

It’s clear that for some organizations, as-a-Service is here and producing value already. For others, it will be here soon.
The promise of as-a-Service today is related to several key business drivers

1. **One is competition.** More and more organizations are trying and succeeding at as-a-Service, while those that are still mere onlookers are increasingly dissatisfied with the operations of their major functions and business processes.

2. **A second has to do with market agility**—the ability to respond to changing business conditions in a flexible and consistent manner.

3. **A third is speed**—speed to set up a service and create value, whether that is measured by customer service or innovation.

4. **A fourth is the increasing need to use advanced analytics** and automation to improve delivery, cut cycle times and achieve better, timelier insights.

5. **Finally, as-a-Service provides the ability for enterprises to source services tied to specific, quantified business outcomes** rather than just the efficiencies of typical business process services contracts. Client and provider agree to a specific set of business results, and then it’s up to the provider to establish the delivery model that achieves those outcomes. This arrangement helps enable the client to focus on its core competencies, then tap into business and IT services that can be mobilized quickly and at the appropriate scale.
TAKING A DEEPER LOOK
LET’S UNPACK THESE AS-A-SERVICE DRIVERS JUST A BIT

1. AS-A-SERVICE IS HOT AND GETTING HOTTER

Companies now using an as-a-Service model for one or more functions are reaping the benefits of partnering with an as-a-Service provider for more sophisticated and more intelligent services. For example, a leading independent energy company is working with Accenture to implement a technology solution that links field assets to a network of cloud-based offerings, delivered as-a-Service, with consumption-based pricing focused on reducing cost, increasing production, and simplifying technology. The project includes migrating applications and servers to the cloud leveraging Accenture’s cloud transformation services with security applications, and tapping into features of leading public-cloud providers for scalability.

Meanwhile, many latecomers are looking on in envy and are worried about losing a competitive edge. Consider a 2016 report from HfS examining the current state of finance as-a-Service. The research found that only 8 percent of executives surveyed were very satisfied with the performance of their finance operations. From order-to-cash, to procure-to-pay, to record-to-report, satisfaction levels were at 10 percent or less.

2. AS-A-SERVICE CAN MAKE A BUSINESS MORE AGILE

Take just one example: the increasing occurrences of mergers and acquisitions. Entire industries are consolidating as companies look to buy the capabilities and market share that are currently eluding them. With this increased M&A activity, however, comes increasing complexity as well as the costs of integrating and maintaining an extensive operations infrastructure. It is added weight that can slow companies down and in the end make them less nimble in the market. As-a-service can shave weight off their infrastructure and make better use of their assets. Agility also comes from the ability of as-a-Service to increase flexibility for companies to scale transactional volume up or down as their business needs change.

This agility was a crucial feature during a recent merger where—given the cost savings commitment the merging companies made to the market—it was essential to reduce costs and improve efficiencies, with a particular focus on the finance function. Rather than reinvent the wheel, the acquiring company was able to “plug” directly into the other company’s finance as-a-Service capabilities offered through Accenture. The plug-in, scalable approach accelerated integration and enabled the merged organization to immediately acquire market-leading finance capabilities.
Here we come to the heart of the value proposition of as-a-Service: It is designed and implemented around specified business outcomes of a company, whether those are increased revenues, improved margins, enhanced customer service, faster innovation or expanding into new markets. Such outcomes can also be improved performance at a functional level, such as hiring or training employees faster, or accelerating finance and procurement processes. Services are then paid for based on the business value created through the as-a-Service contract and can be purchased “by the drink,” as they are consumed.

Another example is a large grocery wholesaler in South America. Accenture is helping the company deliver a cloud-based, as-a-Service sales and service platform to drive growth in its new digital business. Accenture built an end-to-end, turnkey as-a-Service solution that helped enable the company to quickly launch its new digital business and gain a competitive first-mover advantage in the market.

With as-a-service, a client can tap into world-class capabilities in a matter of days or weeks, not months. A corporation in the resources industry needed to rapidly set up finance and accounting, procurement, supply chain analytics and customer care with minimal business disruption. Accenture helped make this happen using Microsoft Azure with SAP in the cloud with infrastructure managed through the Accenture Cloud Platform.

The as-a-Service journey entails not just processing transactions and capturing data, but also using data analytics and deep industry expertise to provide insights and ideas to improve performance. For example, an oil gas company was able to leverage vendor analytics to tweak payment algorithms in accounts payable to produce $150 million in working capital improvements. The application of Robotic Process Automation (RPA) in one business service center also produced approximately 30% productivity improvement across impacted sub processes, which will now run at less than 10% of the original manual process cost.

For DollarTree, a leading discount store, Accenture used analytics to develop an energy reduction strategy for the company using more than 300 performance models to create scenarios from big data. Pulling from more than 12 million data points, the models gave real-time insight into each of the store’s geographies and the energy used in specific locations. Accenture developed a technology road map that showed how energy and money could be optimized across more than 13,000 retail stores.

Consider the success story of a major automotive manufacturer. With increasing numbers of customers moving to digital channels, the company needed to transform its marketing strategy to generate specific business outcomes: increase digital customer touch points and convert more digital leads to sales. Challenges faced included multiple agencies and digital partners and a fragmented organization and platform landscape. Using an as-a-Service approach, Accenture was able to help the company achieve and exceed digital penetration targets in half the projected timeframe.
INHIBITORS TO TAKE-UP OF AS-A-SERVICE

Given the significant potential value of as-a-Service, what’s holding companies back? Our previous research uncovered interesting disconnects. First, providers were generally confident that they were ready to provide as-a-Service capabilities, yet clients did not seem to be ready. One report found that barely 50 percent of clients are looking to their providers for value beyond operational support. Second, C-level executives were supportive of a move to as-a-Service, but middle management (where much of the buying occurs) were not as confident. According to our research, 53 percent of operations leaders view as-a-Service as critical compared to just 29 percent of middle managers and delivery staff.

More recently, Accenture analysis has focused on several other inhibitors to as-a-Service adoption.

HOW TO BUY?

Companies are often unsure how to buy services under this new, unfamiliar model. Procurement organizations, for example, are accustomed to buying based on traditional commercial models—usually fixed price or FTE-based. With as-a-Service, value must be quantified in different ways.

THE PROBLEM OF POINT SOLUTIONS

Not every provider is able to offer an end-to-end solution across a function or process. Many providers have point solutions, which can cause integration and vendor management issues. In addition, if providers are to succeed in producing a specified business outcome, they need to be able to influence that outcome. Their analytics capabilities must be quite robust so that they know what levers to push. Also important is an understanding of industry challenges and key performance indicators.
The component technologies of as-a-Service have taken time to mature, and they continue to mature at different speeds and along different paths. Only in the past few years has there been sufficient take-up of technologies such as public cloud and hybrid cloud. Maturity of these technologies enables clients to take fuller advantage of them and realize more value from the provider. SaaS models are now much more accepted, enabling business processes to be provided as a service.

Multiple stakeholders in a company are likely to become involved, making approvals more complex. As-a-Service is not like buying a standard set of services. Stakeholders need to agree on a single set of objectives. In general, as-a-Service needs to be business led, but IT enabled, highlighting the importance of close cooperation among different functions.

Both client and provider must be prepared for a much different delivery environment. As-a-Service is far more fluid than traditional outsourcing models in which buyers were generally locked into long-term contracts. Providers need to demonstrate exceptional capabilities and then continue to demonstrate their value to maintain their relationships. Providers will likely position themselves more as trusted consultants, advising and implementing programs that reengineer and unravel processes, not just offer incremental improvements. Seeing the client-provider relationship as more of a strategic partnership is important. Technology and delivery environments are constantly changing. Therefore, the delivery model needs to be continuously updated and reconfigured as new capabilities arise and as technologies evolve.

None of these inhibitors is a deal-killer, but companies should look at their own efforts in light of these inhibitors and make plans to overcome them.
HOW TO GET STARTED?
Many companies begin with the technology component, through their work to migrate functions to the cloud. They may start with a single function, then expand to others. At that point, the jump to as-a-Service is a shorter one.

Other organizations may take an automation angle. They have an established infrastructure and processes, but know they need to become more flexible in consumption of services and increase accuracy of output. RPA as-a-Service allows companies to rapidly increase quality and efficiency while keeping investments as low as possible.

Adoption of platforms —leveraging external resources to create new ecosystems and synergy to drive sustainable growth—is increasingly prevalent among leading organizations. Not every organization needs to build its own platform; rather, the organization can plug into existing platforms, business services and capabilities, and consume them as needed, as-a-Service. (Read more: Accenture Technology Vision 2017)

The need to gain competitive advantage through analytics is another entry point. For a given function—warranty management or pharmacovigilance or a myriad of others—analytics can be an important gateway. It can help spawn insights about how to reduce time to market, shorten phases of R&D processes or reveal the root causes of high levels of product returns. As-a-Service then can enable the organization to respond quickly and effectively to those insights.

The lifecycle of a program or function can be another impetus to move to as-a-Service—particularly when it is time to renew a contract. This comes down to a classic make-or-buy analysis. Companies may wish to expand further into cloud, automation and analytics. They may wish to become more flexible and responsive to the market. In these cases, as-a-Service becomes an increasingly attractive option.
CONCLUSION
THE BUSINESS-DRIVEN PROMISE OF AS-A-SERVICE

As-a-Service is no longer about considering or testing. It’s now. Companies should not sit on the sidelines and watch the opportunity pass by.

As-a-Service represents a move away from merely tactical decisions. It’s technology-enabled but propelled by business outcomes—becoming more agile and responsive to market demands, adopting a variable cost base and supporting new strategic directions.

Organizations are increasingly looking for business process and infrastructure services that generate definable business results, produce value quickly, are flexible, are implemented consistently with high quality, and are paid for based on value tied to business outcomes or consumption-based models. This is the promise of as-a-Service.
REFERENCES


ABOUT ACCENTURE

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