



# Innovation Reality Report

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# CXOs achieve business innovation through outsourcing



- More than four fifths (83%) of buyers say they have experienced innovation in their outsourcing relationships
- Nine in ten (92%) say their outsourcing partners want to drive further innovation
- Three fifths (58%) report a culture of innovation in their company

Contrary to common perceptions, over four fifths (83%) of senior outsourcing buyers say they have experienced innovation in their outsourcing relationships.

More than four fifths (82%) also believe their current outsourcing suppliers actively encourage innovation and ideas, according to new data from sourcing advisor, Aecus (formerly Alsbridge plc).

Paul Morrison, Head of Outsourcing Innovation at Aecus, comments: "Aecus defines innovation as creating value by doing things differently. With tight budgets and new technologies offering up new ways of working, keeping buyers happy with the level of innovation they get from outsourcing has typically been a major challenge".

"However today, relationships between outsourcing buyers and supplier are providing considerable grounds for optimism. Not only are leaders aware of the types of innovation actively being pursued by outsourcers, but they can see how these partnerships are already having an impact on business outcomes."

This report explores the innovative practices UK businesses are implementing in their outsourcing agreements. It is based on 100 in-depth interviews with senior outsourcing buyers.

## Taking steps to innovate

Outsourcing buyers are already actively implementing processes and tools in order to innovate through their outsourcing partnerships.

In contrast to perceptions of inertia in these relationships, two thirds (63%) of respondents currently have incentives built into their outsourced operations to encourage and reward innovation. The same proportion say they actively work with outsourcing partners to drive innovation.

In turn, three fifths (58%) of senior outsourcing buyers believe their own company now has a culture of innovation. Nearly half (45%) of respondents regularly meet their supplier to discuss innovation and how their operations can meet requirements.

## Innovation wish list

Despite the steps being taken to achieve innovation through outsourcing, there is often a marked difference between the aspirations of outsourcing buyers and what they have already implemented.

Four fifths (80%) of senior outsourcing buyers express a clear desire to implement digitisation in their outsourced operations, but only around a third (35%) have actually adopted it into their partnerships.

In terms of future investment, robotic automation has emerged as one of the most sought after trends amongst outsourcing buyers, with over two fifths (44%) of respondents planning to implement it in the next three years or beyond.

There is also currently a strong appetite for multi-channel engagement. Almost half of respondents (47%) have already implemented it while others are likely to do so over the next 12 months (33%).

## Reaping the rewards

Respondents report a number of benefits as a result of innovating their outsourcing practices. Over half (54%) say they have achieved customer satisfaction in their wider business through their outsourcing agreements. A similar number (45%) suggests innovation has an impact on their revenue growth.

Paul Morrison comments: "For outsourcing buyers, innovation is becoming an increasingly important consideration, and this will continue gather momentum as the tangible benefits to businesses become ever clearer."

"At its root, innovation is the result of creating and executing a well-designed process, and consistently nurturing this over time. It is a reassuring sign that organisations understand how accessible these changes really are."

## A wide landscape of innovation

Innovation in outsourcing today takes many forms. Whilst the incremental 'Continuous Improvement' of outsourced functions is still the priority for nearly one third of businesses leaders (32%), other innovation approaches are rapidly taking hold.

Almost a quarter of businesses (23%) are pursuing 'Project Innovation', in which the provider and client work together on a significant initiative to improve the efficiency or effectiveness of the outsourcing.

Some businesses are setting their sights even higher, with 14% prioritising 'Radical Innovation' with their outsourcing partners. This represents very significant changes to the way a service is delivered such as the implementation of a major new technology or global delivery model.

Most significantly nearly one third of leaders (31%) are hoping their outsourcing partners can drive 'Business Innovation'. This goes beyond improvements to the cost and quality of the outsourced service, providing benefits to the wider business such as increasing revenues or improving products and services.

Paul Morrison, Head of Outsourcing Innovation at Aecus, comments:

"Companies have always sought innovation from their outsourcing partners, but now we're seeing it come to fruition. CXOs are rapidly raising their sights from simple process improvement, to explore how their partners can change their businesses for the better. It's the increasing maturity of outsourcing buyers and sellers, along with technological change, that's making this possible."

## Targeting business outcomes

Outsourcing buyers are pursuing an impressive array of different innovation objectives through their outsourcing arrangements.

The majority of CXOs (90%) believe that their outsourcing agreements can help them improve products and services, four fifths (86%) believe they will help to retain customers, and a similar proportion (85%) are hoping to achieve top line revenue growth.

The study suggests that many businesses are already making progress. Over half (54%) state they have already achieved improved customer satisfaction, while a similar number (45%) believe that innovation has had an impact on their revenue growth.

## Overcoming hurdles

In spite of early successes, the study uncovers organisational shortcomings that could derail efforts to innovate. Many organisations lack the formalised capabilities to ensure regular and consistent innovation results.

For example, almost a third (31%) of CXOs do not think they have the knowledge in their business to manage suppliers for innovation, whilst two fifths (40%) say that their contractual agreements with their outsourcing partners are not currently set up for innovation.

Paul Morrison, comments: "It's clear that CXOs have a huge desire to reap the rewards that can come from innovating through outsourcing. Where it is happening, businesses are seeing real results in terms of customer satisfaction, improved processes and increased revenue.

"However, despite this progress there are still hurdles to overcome to ensure organisations achieve the best results. To maximise the impact innovation can have on a business, it is absolutely vital to invest in the right capabilities, and implement the right framework of suppliers, incentives and governance. You reap what you sow in outsourcing innovation."

The new Aecus Innovation Gauge helps businesses to rapidly assess their 'innovation readiness', and therefore predict how successful they will be in terms of achieving innovation through outsourcing.

# Analytics: On The Rise

# 46%

of organisations have already implemented analytics in their outsourced operations

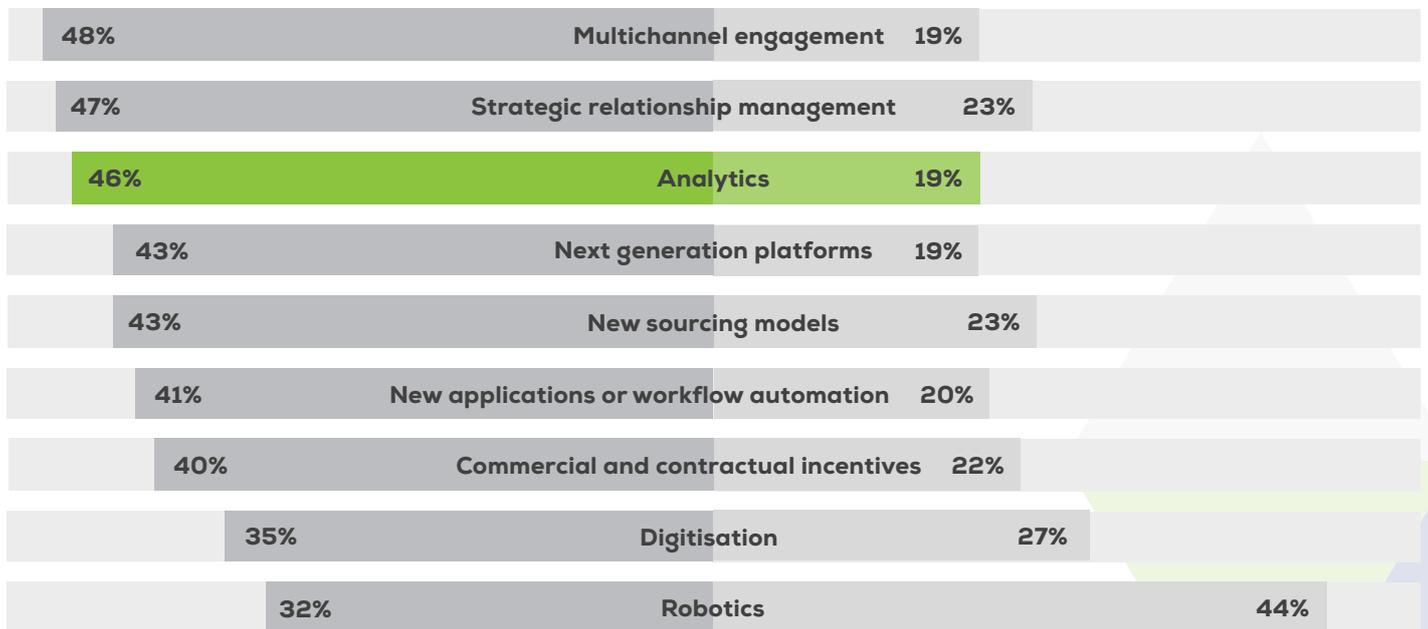
In an age of pervasive technology, multi-channel and automation, organisations are generating a deluge of data. The analytics process sits at the centre of this storm, extracting meaning and value in the form of better decisions for marketing, operations, product development and a growing range of other applications. Developing an analytics sourcing strategy is a new challenge for most organisations and one that is becoming increasingly important.

## Aecus explored the major trends and innovative techniques businesses are using in their outsourcing agreements to boost business performance.

There is no doubt that the use of analytics is already widespread. Almost half (46%) of respondents have already implemented it and rapid adoption looks set to continue over the coming years.

### Already implemented:

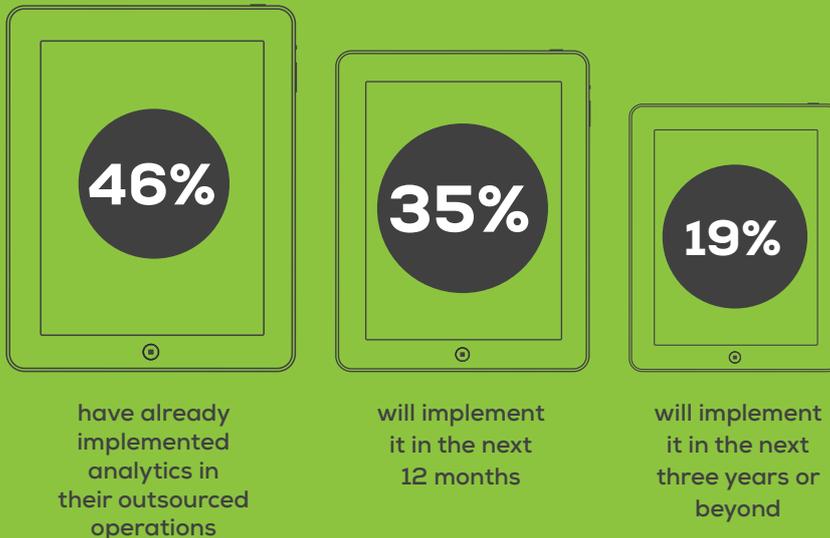
### Likely to adopt in next three years:



### About the study:

Aecus interviewed 100 CXOs to find out to what extent outsourcing partnerships are driving business innovation today. The results are striking, finding that, against the prevailing wisdom, innovation is now present in most partnerships, with 83% of respondents saying they have witnessed innovation in outsourcing. On the whole, there is a sense that the tide has turned, with success in outsourcing today being less cost savings and more about how partners can fuel to business growth and success.

## The future is now...



### John Sheridan, Partner at Aecus

"The results of our survey indicate that businesses are well aware of the opportunity to implement innovative technologies and techniques through outsourcing in order to improve their overall performance. Analytics is one technique that is already being embraced and it's clear that this trend will continue to play a role over the next several years, and beyond."

### Top tips for implementing analytics in your outsourced operations:

- **A new focus** – Ever more data and more powerful tools are enabling businesses to learn from the past and to predict the future. Analytics is emerging as the 'engine room' of digital businesses, improving business outcomes as varied as improving customer satisfaction, innovative product development and risk management. Make it a priority to understand what role analytics can play in driving these outcomes.
- **Alignment** – Legacy approaches to analytics have tasks scattered across the organisation, in finance, operations, marketing and elsewhere. As a result, developing an orchestrated analytics sourcing strategy can involve many different sponsors: CMO, CTO, CFO, COO. Explore whether a central function, or central role, should be established to take advantage of the similarities in technique and skill that underpin different analytics activities.
- **Sourcing choices** – Sourcing analytics in the right way will be an increasingly important choice, so develop an analytics sourcing strategy. Best practice today involves a choice between coordinated outsourcing, internal shared services / centres of excellence, or a combination. Outsourcing can take the form of one-off or repeat projects, or an ongoing managed service for longer term.
- **Know the landscape** – Keep a close eye on the evolving analytics market – which, like analytics itself, is complex and fragmented. Suppliers range from specialist boutiques to the leading global outsourcing brands. Tools and products cover the spectrum from bespoke to supplier proprietary to industry standard off the shelf applications.



# Robotics: Watch This Space

# 32%

of organisations have already implemented robotics in their outsourced operations.

Robotic Process Automation is the use of smart software to replicate process work that was previously done by humans. Robotics solutions differ from other types of automation because they are quick to implement, mimicking human processing and minimising the need for costly systems integration. The list of use cases is growing rapidly from initial projects in service management and transaction processing, and has widespread applicability to services that are delivered by human resource-intensive outsourcing work.

## Aecus explored the major trends and innovative techniques businesses are using in their outsourcing agreements to boost business performance.

Although only 32% of respondents have already implemented robotics, it is the trend most likely to be adopted over the next three years and beyond. It also has significant potential to change the outsourcing and the broader business world works.

### Already implemented:

### Likely to adopt in next three years:

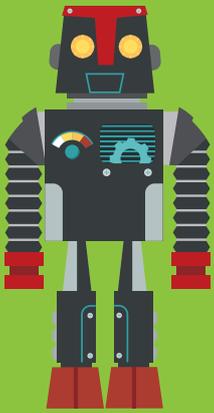
48%	Multichannel engagement	19%
47%	Strategic relationship management	23%
46%	Analytics	19%
43%	Next generation platforms	19%
43%	New sourcing models	23%
41%	New applications or workflow automation	20%
40%	Commercial and contractual incentives	22%
35%	Digitisation	27%
32%	Robotics	44%

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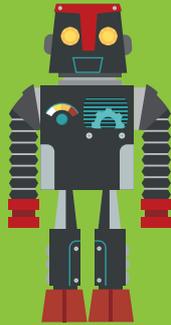
# Robotics: The Outsourcing View

The future is now...



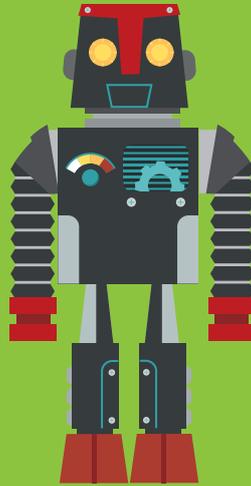
**32%**

have already implemented  
robotics in their  
outsourced operations



**24%**

will implement it in the  
next 12 months



**44%**

will implement it in the  
next three years or beyond

**Rick Simmonds,  
Managing Partner at Aecus**

"Our survey shows that innovation through outsourcing is really happening, and there is an encouraging pattern of businesses adopting new techniques to ensure they can grow and thrive. Robotics may lag behind other trends in terms of what is happening now, but there is a lot of excitement and interest in its potential in the near future. With early implementations already bearing fruit, robotics look set to fundamentally reshape many areas of outsourcing and client businesses."

## Top tips for implementing Robotic Process Automation in your outsourced operations:

- **Not one thing:** Remember Robotics is a loose grouping of offerings, covering a spectrum of sophistication from 'Macros on steroids' to complex 'cognitive' / AI products.
- **Robotic Reviews:** Carry out a periodic scan, process by process, of the potential for robotic process automation across your operations.
- **Robotic Readiness:** Take a look at your current outsourcing arrangements – are they 'robot ready?' Is it clear how the benefits of robotics would be shared in the event of a robotic implementation mid-way through a deal, and how it would be governed?
- **Early days:** New tools are emerging all the time, so expect the scope and impact of what can be achieved with robotics to grow significantly in the years ahead.
- **It is only a metaphor!** Robotic process automation is 'robotic' in the sense that it seeks to superficially mimic human activities. But don't get bogged down with the label.

# Multi-Channel Engagement: The New Normal

# 48%

of organisations have already implemented multi-channel engagement in their outsourced operations

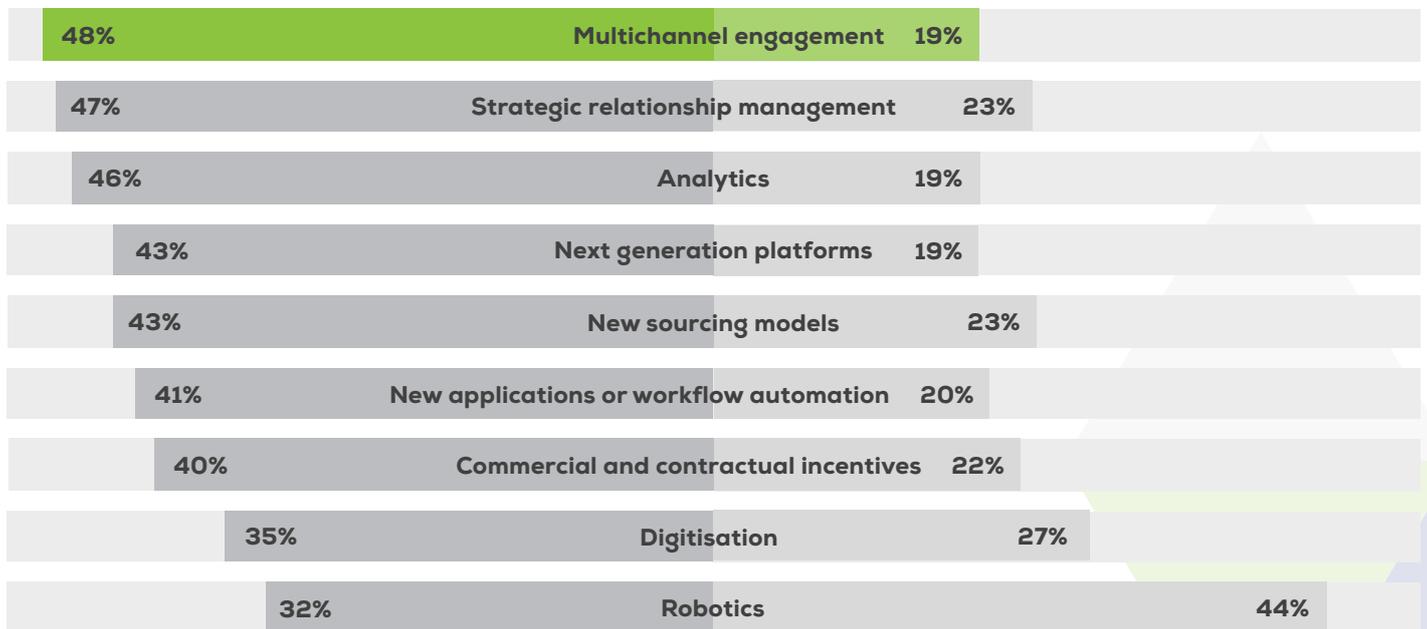
**It's never been easier to connect with your customers, your staff or your suppliers.** Multi-channel is about enabling stakeholders to connect with your business in the best way possible, whether via email, phone, the internet, webchat, social media, the high street, or other routes. Outsourcing service providers are emerging as a key part of the multi-channel landscape.

## Aecus explored the major trends and innovative techniques businesses are using in their outsourcing agreements to boost business performance.

There is currently a strong appetite for multi-channel engagement. Almost half of respondents have already implemented it while the rest are likely to do so over the next 3 years and beyond.

### Already implemented:

### Likely to adopt in next three years:

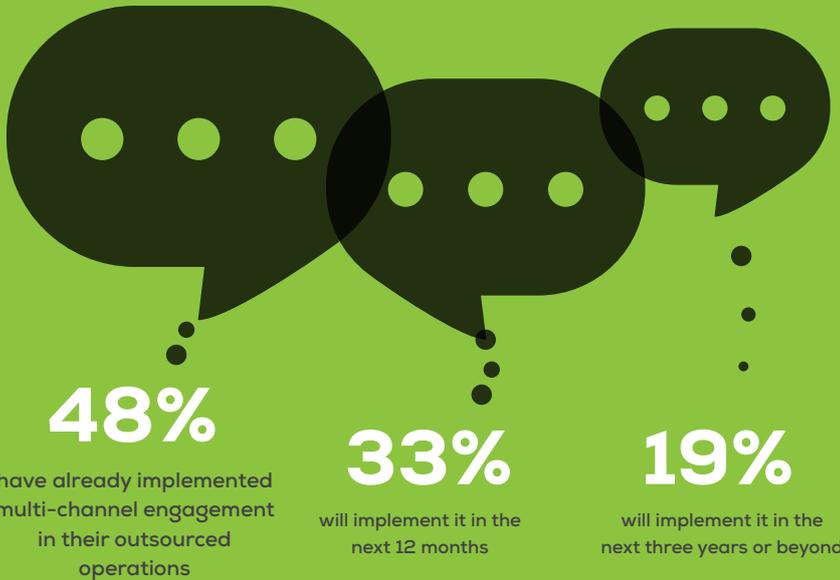


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# Multi-Channel Engagement: The Outsourcing View

The future is now...



**Paul Morrison,  
Partner at Aecus**

"What was clear from our study was that businesses recognise the need to embrace and implement new technologies and trends in order to boost performance and secure long term growth. As technology advances and the tools for communication become ever broader, multi-channel engagement has become an important buzzword. There's clearly a huge appetite for this trend and our research suggests businesses will remain committed to it in the future."

## Top tips for implementing multi-channel engagement in your outsourced operations:

- **New metrics:** Multi-channel can have dramatic outcomes on the business. The old measures of success (think call-handling time) need to be pushed aside by the new (ROI, revenue, NPS).
- **Bringing it together:** Multi-channel thinking needs to be broad (in terms of channels), but also needs to be coherent and integrated. Understand how you and your partners are going to create and maintain a single view of the customer.
- **Rewriting the script:** Multi-channel requires businesses to think very crisply about the customer perspective and experience. Many well-established processes and assumptions will need to be torn up.
- **Review your relationships:** Understand how the implications of multi-channel (such as new IP and new metrics) are addressed in existing service agreements and renegotiate where necessary.
- **Look downstream:** Multi-channel generates a wave of new data about your business and stakeholders. Do you have the analytics capabilities (or partners) in place to turn this data into insight?

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