Never Waste a Paradigm Shock!

- This is the most disruptive period we will experience in our lifetimes (barring WW3 or a climate meltdown)

- This will likely stay for 12-18 months

- There will be incredible opportunities for some, others will survive, some will struggle to pivot and some will cease to exist

- We will emerge with a whole new wave of digitally-agile, data savvy and super energized businesses that do not rely on the legacy infrastructures of old

- Automation will become native to the survivors

- Business will (eventually) thrive once again, so we must unleash our passion, creativity and energy to avoid wasting a real crisis!

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The HFS Digital OneOffice™ – the "experience" architecture

At its core, OneOffice is about making customer, employee and partner experiences the centerpiece of the strategy

- Where supporting customers and anticipating needs is native to the entire organization,

- bringing customers and employees together with common purpose and common outcomes.

- **It's more important than ever.**
  Customers and employees are engaging in a 100% touchless, digital environment.

- EX has to be part of CX: The new duality between who is servicing the customer and who *is* the customer

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The HFS Virtual OneOffice™ Organization

Human-centric Customer Experience (CX)

Human-centric Employee Experience (EX)

THE OUTCOME DRIVEN FRONT OFFICE

Mobile & Social Interaction

Real-time Personalization

Touchless Interaction

Customer-driven Process Design

Automation

Human Augmentation

Insights

Digital Underbelly
- Digitization and Automation of Processes
- Cloudification and Security
- Unification of Data

Infrastructure

Digital Workforce
- Autonomous & Agile Culture
- Inclusive Digital Mindset
- Unification of Outcomes
- LEAN & Design Thinking

People and Process

Anticipatory Insights
- Predictive Analytics
- Cognitive AI Processes
- Machine Learning

Data

The OneOffice experience is the foundation of the 'virtual workforce,' where automation tools augment the employee's digital capabilities and the workplace becomes a "plug-and-play," work-from-anywhere scenario

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Enterprise Reboot | Scale digital technologies to grow and thrive in the new reality
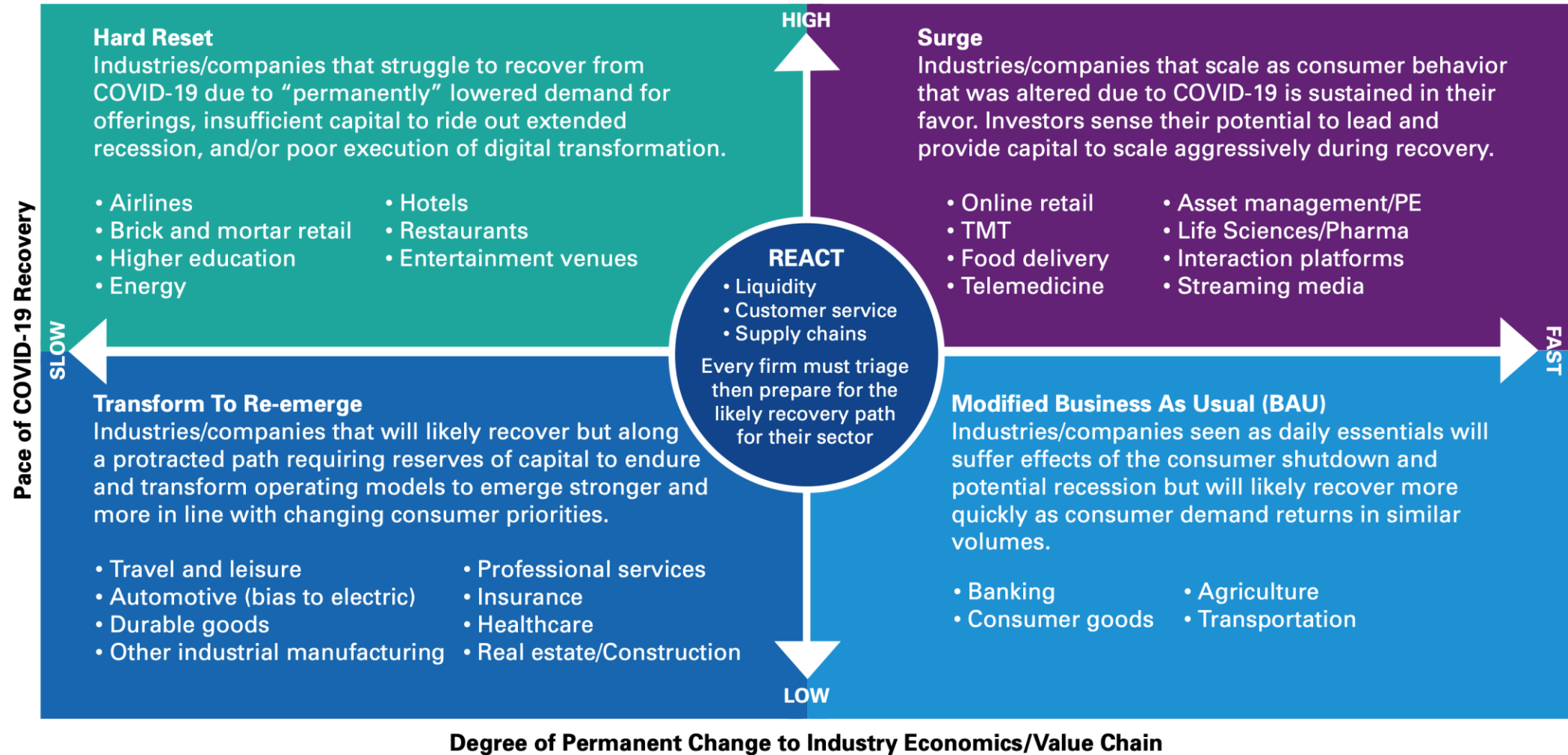## Key findings

- **Stragglers** will be called out and exposed

- **ROI is critical** as emerging technologies become the foundation for survival

- **Tangible business cases** are far more critical now than two months ago

- Drive clarity by focusing on **"have-to-haves"** in the short-term

- Need to optimize **core industry client-facing functions**

- **AI-powered and Cloud-enabled** emerges as the growth platform

- Work-from-home (WFH) forces **cybersecurity** to become a C-level mandate and drives interest in **5G**

- The **power of AND** is greater than OR

- **Recessions do end**. We expect overall growth in spending in 12 months

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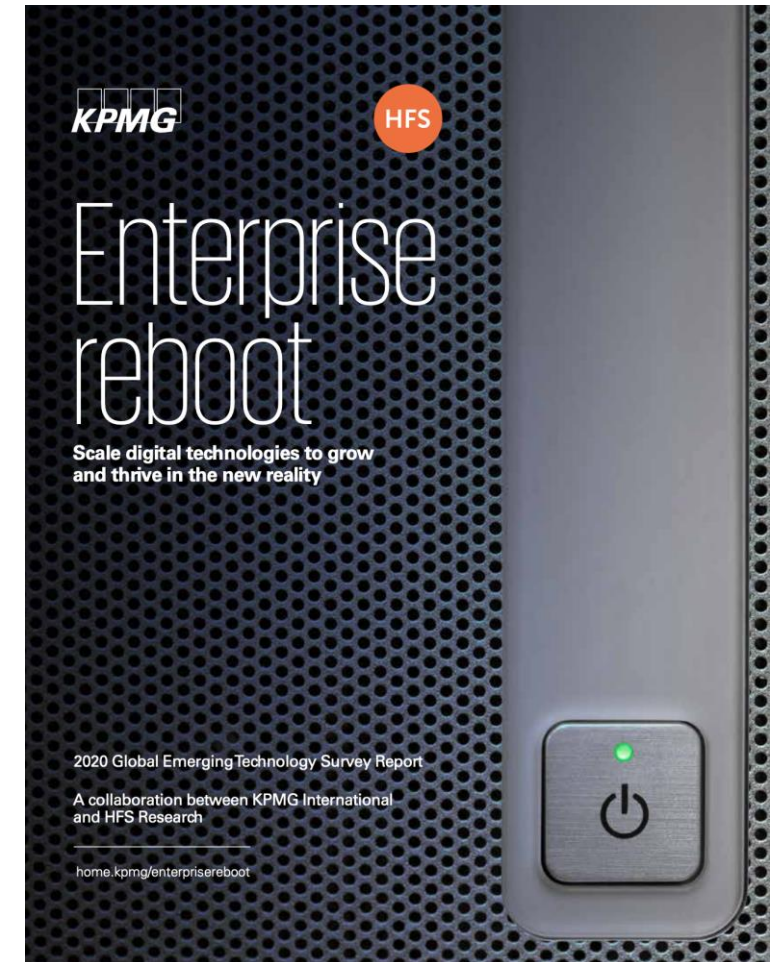
Varying degrees of risk exposure to COVID-19-driven shifts will result in a variety of recovery patterns when viewed at the sector/company/country level

Pace of COVID-19 Recovery

HIGH

Hard Reset
Industries/companies that struggle to recover from COVID-19 due to "permanently" lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.

- Airlines
- Brick and mortar retail
- Higher education
- Energy
- Hotels
- Restaurants
- Entertainment venues

Surge
Industries/companies that scale as consumer behavior that was altered due to COVID-19 is sustained in their favor. Investors sense their potential to lead and provide capital to scale aggressively during recovery.

- Online retail
- TMT
- Food delivery
- Telemedicine
- Asset management/PE
- Life Sciences/Pharma
- Interaction platforms
- Streaming media

REACT
- Liquidity
- Customer service
- Supply chains

Every firm must triage then prepare for the likely recovery path for their sector

SLOW

FAST

Transform To Re-emerge
Industries/companies that will likely recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changing consumer priorities.

- Travel and leisure
- Automotive (bias to electric)
- Durable goods
- Other industrial manufacturing
- Professional services
- Insurance
- Healthcare
- Real estate/Construction

Modified Business As Usual (BAU)
Industries/companies seen as daily essentials will suffer effects of the consumer shutdown and potential recession but will likely recover more quickly as consumer demand returns in similar volumes.

- Banking
- Consumer goods
- Agriculture
- Transportation

LOW

**Degree of Permanent Change to Industry Economics/Value Chain**

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The Enterprise Reboot | Research approach

- HFS, in conjunction with KPMG International, conducted research with 900 executives across the Global 2000 enterprises to understand
    - Investment and adoption of emerging technologies;
    - Success in scaling up and realizing tangible enterprise value from emerging technologies;
    - Impact of COVID-19 on business priorities and spending on emerging technologies.

- Key areas of emphasis included process automation, artificial intelligence (AI), smart analytics, blockchain, hybrid and multi-cloud, and 5G. The research also included enterprise perspectives on cybersecurity, edge-computing, IoT, and quantum computing.

- HFS and KPMG conducted research in two phases (primarily to account for the impact of COVID-19)
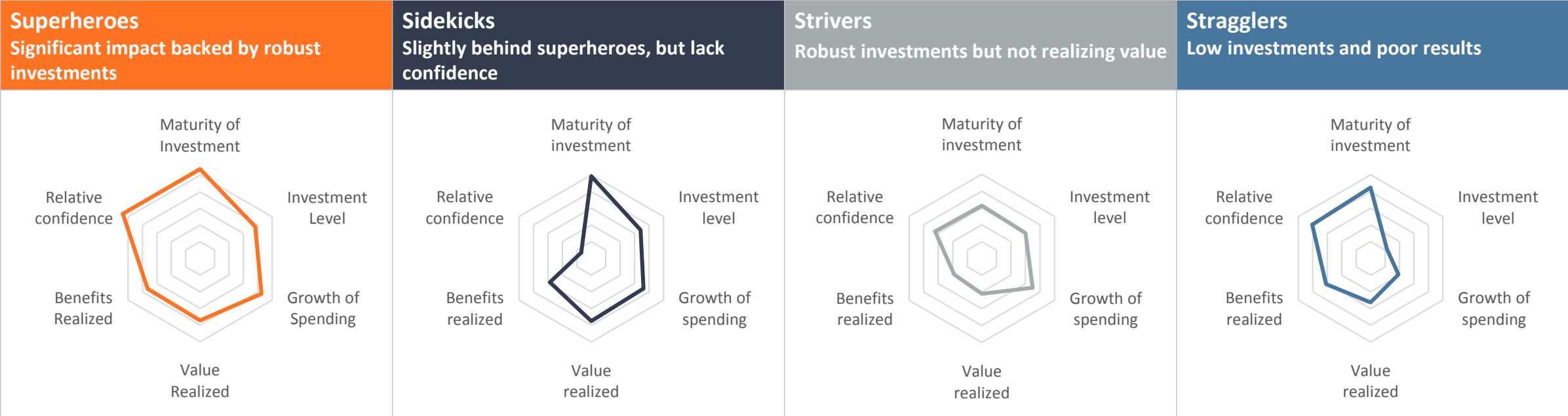
Phase 1: 600 executives surveyed in March-April 2020
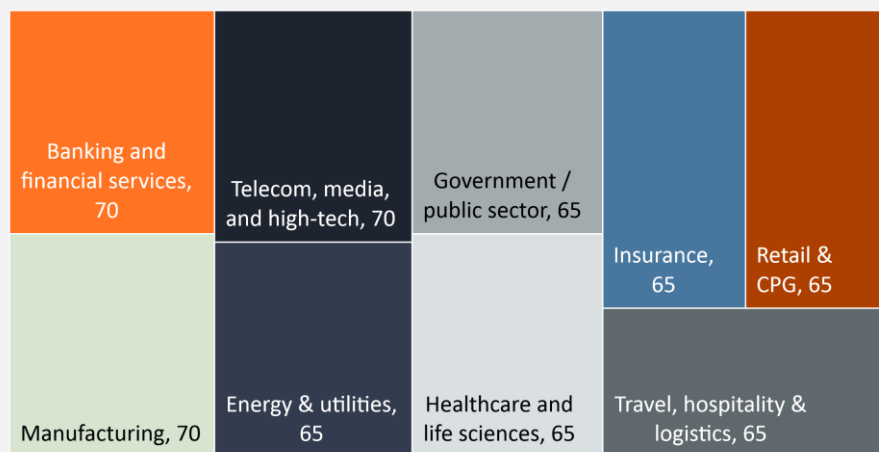
Phase 2: 300 executives surveyed in May-June 2020

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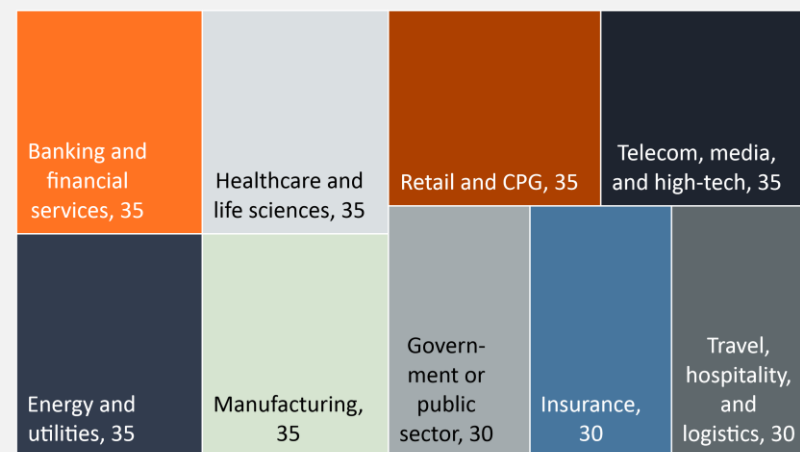
Stragglers will be called out and exposed. Hesitant organizations are likely to be flattened by savvier competitors that push the edges of innovation
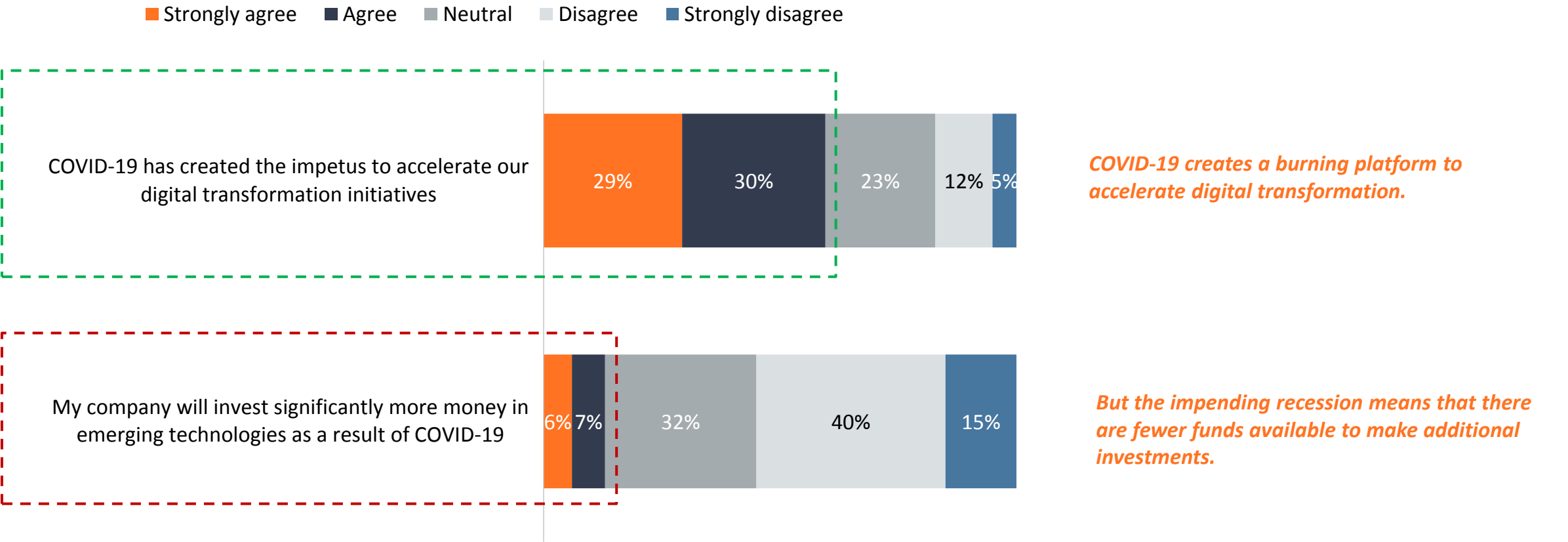
Superheroes	Sidekicks	Strivers	Stragglers
Significant impact backed by robust investments	**Slightly behind superheroes, but lack confidence**	**Robust investments but not realizing value**	**Low investments and poor results**

Clustering variables explained. The clustering methodology used a k-means algorithm to find respondent groups that best fit six chosen variables. We took an average or a product aggregated across all the disruptive technologies (process automation, smart analytics, AI, hybrid or multi-cloud, blockchain, edge computing, and 5G) for the following dimensions to develop the clusters:

1. Maturity of investment
2. Investment level
3. Growth of spending
4. Value realized
5. Benefits realized
6. Relative confidence

Note: The spider charts represent the mid point for each variable within each cluster on each of the 6 variables
Sample: 600 executives across Global 2000 enterprises (Phase I sample)
Source: HFS Research in conjunction with KPMG

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ROI is critical. Adapting to the paradigm shock requires a completely new playbook of doing far more with much less

Thinking specifically about how COVID-19 has impacted our new working environments, how much do you agree or disagree with the following statements?

Legend: ■ Strongly agree ■ Agree ■ Neutral ■ Disagree ■ Strongly disagree

COVID-19 has created the impetus to accelerate our digital transformation initiatives
| 29% | 30% | 23% | 12% | 5% |

COVID-19 creates a burning platform to accelerate digital transformation.

My company will invest significantly more money in emerging technologies as a result of COVID-19
| 6% | 7% | 32% | 40% | 15% |

But the impending recession means that there are fewer funds available to make additional investments.

Sample: 300 executives across Global 2000 enterprises surveyed in May-June 2020 (Phase II sample)
Source: HFS Research in conjunction with KPMG

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Survival is on the line, and emerging tech is the silver lining. Emerging technologies become the foundation for survival

"Essential for survival" rose to the #1 ranking objective across a majority of technologies.

Emerging Technology	Top objectives for investments in Phase I (Mar-April 2020)	Top objectives for investments in Phase II (May-June 2020)
Process Automation	Cost reduction, improve brand value, top-line growth	Essential for future survival
Artificial Intelligence	Cost reduction	Essential for future survival
Smart Analytics	Improve decision making	Essential for future survival
Hybrid and/or Multi-cloud	Cost reduction	Essential for future survival
Blockchain	Foundation for infrastructure modernization, improve decision making, cost reduction	Improve competitive positioning
Edge computing	Improve brand value	Improve competitive positioning
5G	**Essential for future survival**, improve decision making	Essential for future survival

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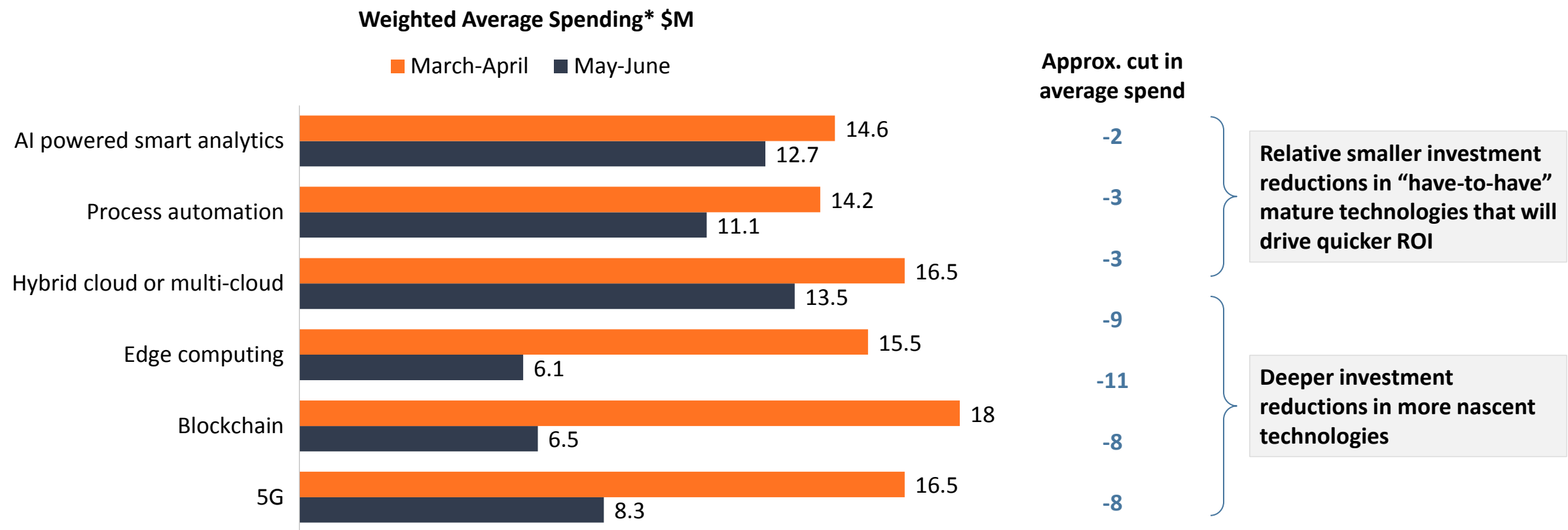| Top 10 challenges in realizing value from emerging technologies	Ranking in Phase I Survey (Mar-Apr 2020)	Ranking in Phase II Survey (May-June 2020)
Developing the business case	6	1
Commitment from C-suite/board	4	2
Changing the organizational culture	1	3
Not sure which metric(s) to use to quantify impact	8	4
Lack of talent	3	5
Lack of data quality and availability	5	6
Risk of failure is high	2	7
Lack of robust data management	7	8
Cybersecurity and data privacy concerns	10	9
The technology is too new, waiting for it to mature	N/A	10
On-going governance	8	N/A
Lack of funds to invest	9	N/A

Tangible business cases are far more critical now than two months ago

- Top challenges to emerging technology adoption are not about technology

- Developing the business case and securing commitment from the C-suite have emerged as the top 2 challenges to realizing value from emerging technologies.

- Additionally, companies can no longer be afraid of failure. Risk of failure has moved from the secondary challenge to number seven on the list of challenges to realizing value from emerging technologies.

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COVID-19 is driving clarity in technology investments by forcing organizations to focus on "have-to-haves" at least in the short-term

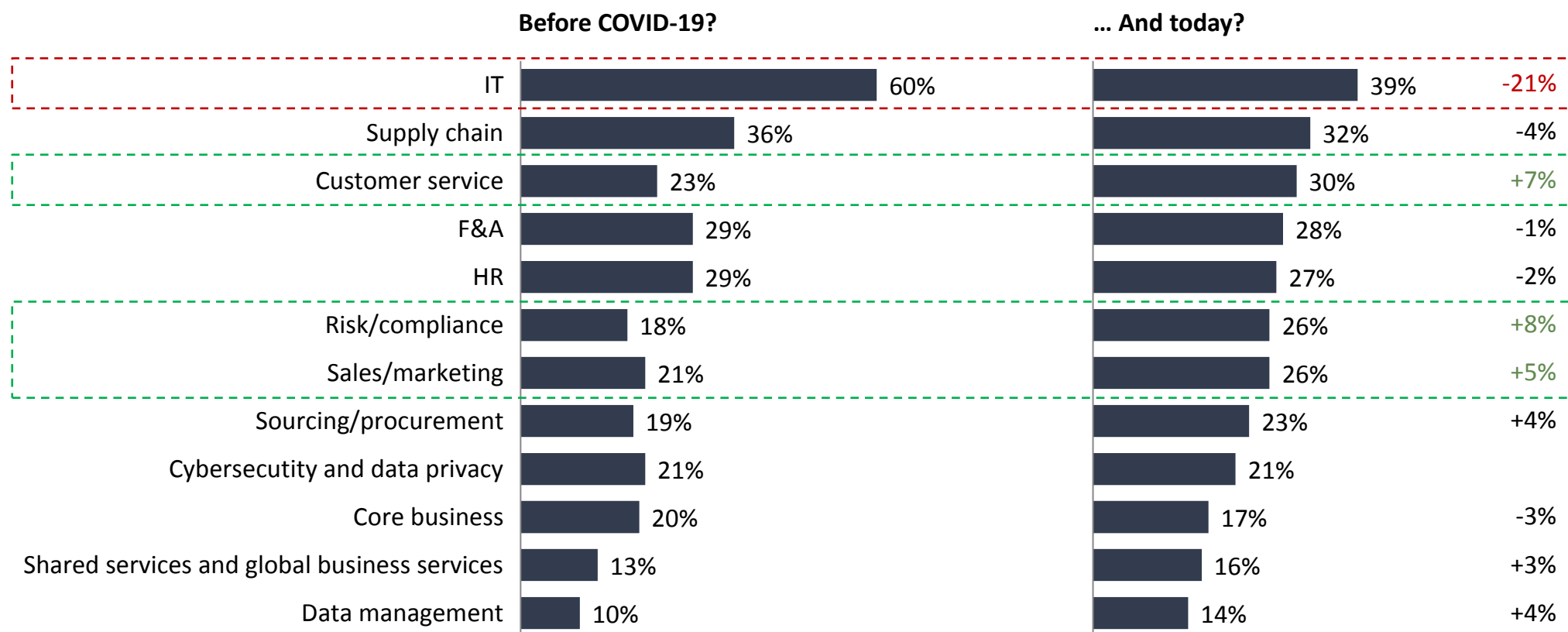**What is your current level of investment for these emerging technologies in your organization (or business unit)?**

Weighted Average Spending* $M

■ March-April ■ May-June

Technology	March-April	May-June
AI powered smart analytics	14.6	12.7
Process automation	14.2	11.1
Hybrid cloud or multi-cloud	16.5	13.5
Edge computing	15.5	6.1
Blockchain	18	6.5
5G	16.5	8.3

Approx. cut in average spend

-2	**Relative smaller investment reductions in "have-to-have" mature technologies that will drive quicker ROI**
-3	
-3	
-9	**Deeper investment reductions in more nascent technologies**
-11	
-8	
-8	

*Calculated using mid-point of each scale category
Sample: 300 executives (May-June 2020, Phase II sample) and 600 executives (March-April 2020, Phase I sample) across Global 2000 enterprises
Source: HFS Research in conjunction with KPMG

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Need to optimize core industry client-facing functions. Business priorities have changed overnight, creating new opportunities and use cases for emerging technologies
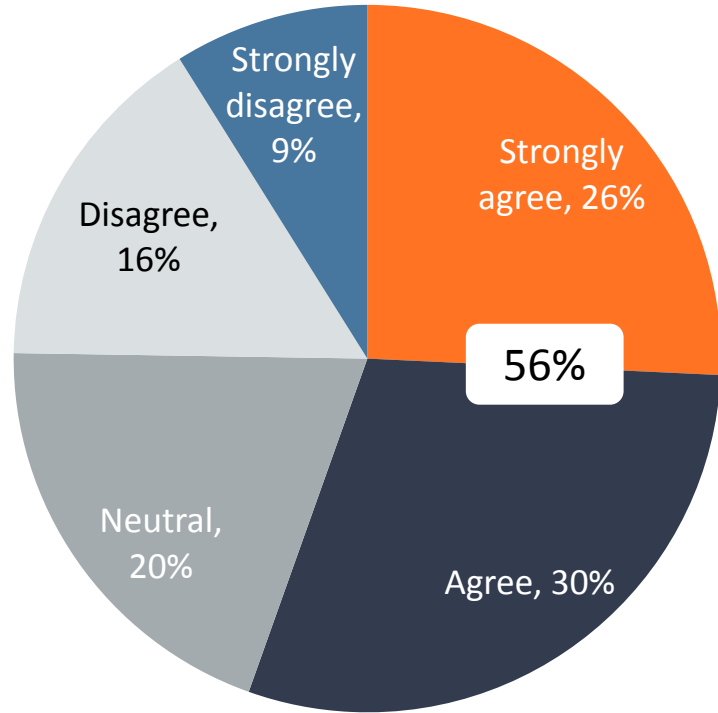
What were your top three functional use cases for emerging technologies in terms of benefits realized....

	Before COVID-19?	... And today?	
IT	60%	39%	**-21%**
Supply chain	36%	32%	-4%
Customer service	23%	30%	**+7%**
F&A	29%	28%	-1%
HR	29%	27%	-2%
Risk/compliance	18%	26%	**+8%**
Sales/marketing	21%	26%	**+5%**
Sourcing/procurement	19%	23%	+4%
Cybersecutity and data privacy	21%	21%	
Core business	20%	17%	-3%
Shared services and global business services	13%	16%	+3%
Data management	10%	14%	+4%

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"AI-powered and Cloud-enabled" emerges as the growth platform

"Cloud migration has become an absolute necessity post COVID-19"

Pie chart "Cloud migration has become an absolute necessity post COVID-19":
- Strongly agree, 26%
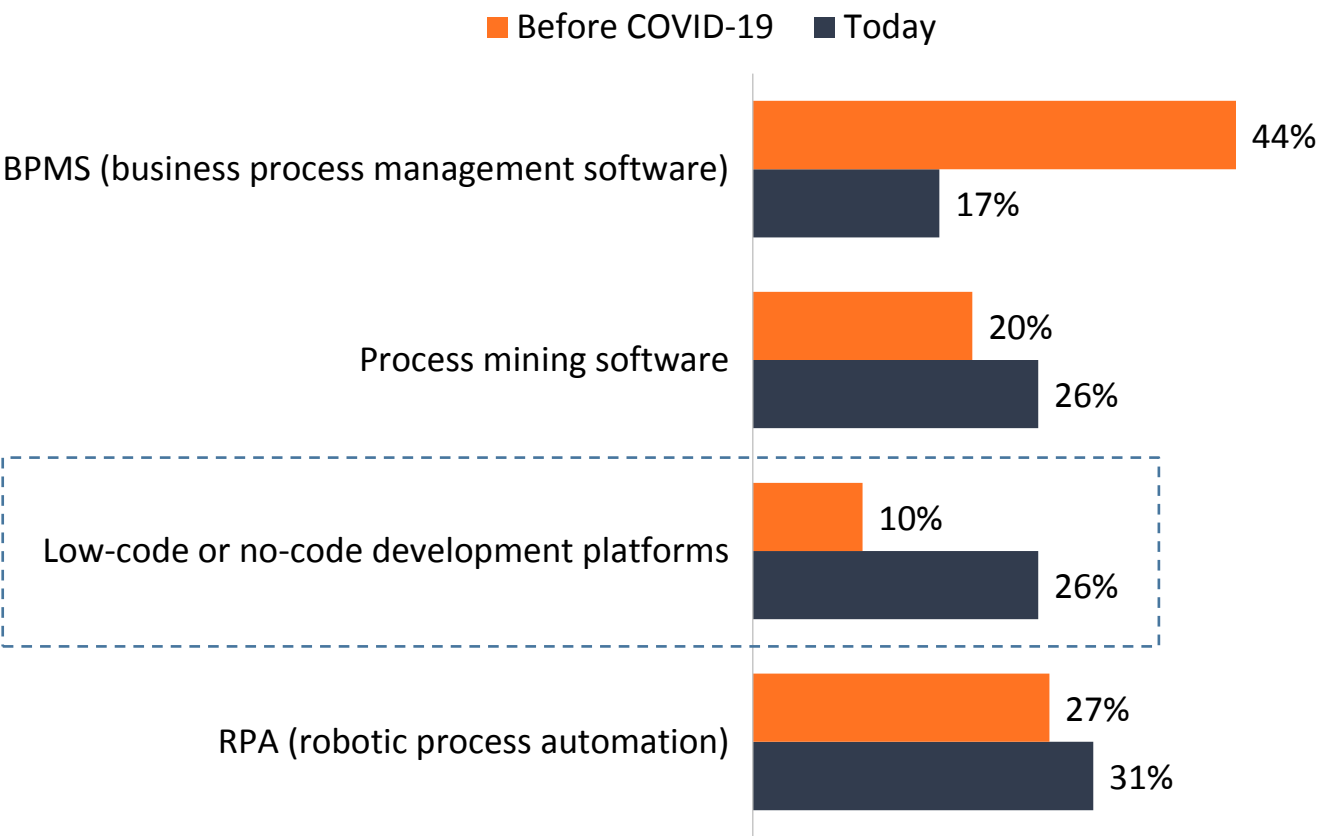- Agree, 30%
- 56%
- Neutral, 20%
- Disagree, 16%
- Strongly disagree, 9%

Over a third of all emerging technology initiatives across automation, analytics, blockchain, and IoT are "AI-powered" and "cloud-enabled"
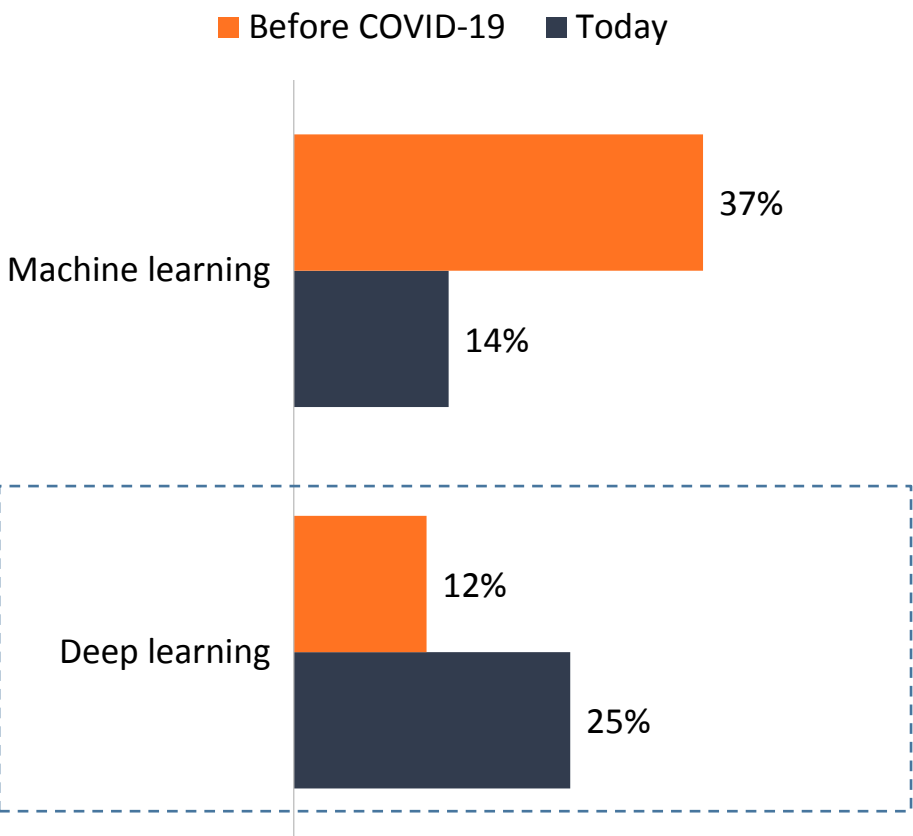
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Automation and AI priorities shift toward more advanced capabilities
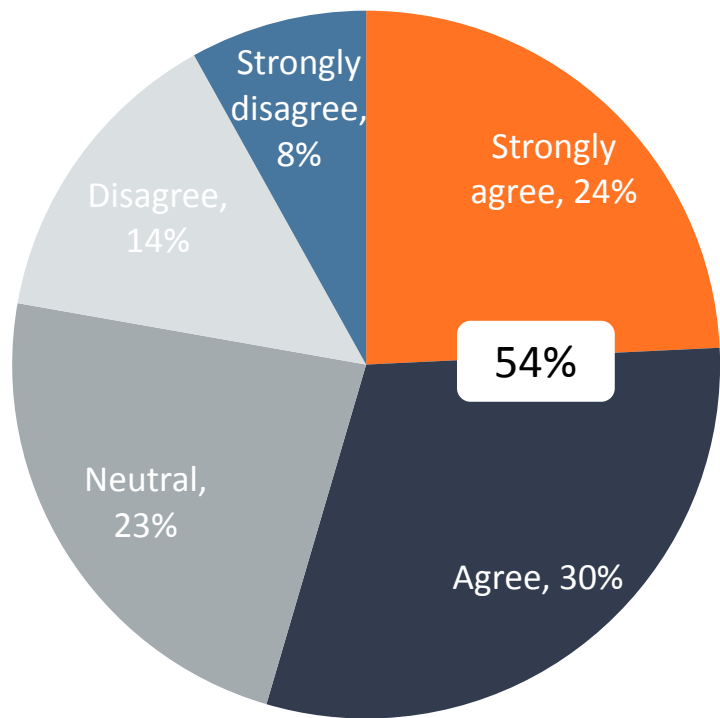
Most important automation investments

Legend: ■ Before COVID-19   ■ Today

BPMS (business process management software)
- Before COVID-19: 44%
- Today: 17%

Process mining software
- Before COVID-19: 20%
- Today: 26%

Low-code or no-code development platforms
- Before COVID-19: 10%
- Today: 26%

RPA (robotic process automation)
- Before COVID-19: 27%
- Today: 31%

Most important foundational AI investments

Legend: ■ Before COVID-19   ■ Today

Machine learning
- Before COVID-19: 37%
- Today: 14%

Deep learning
- Before COVID-19: 12%
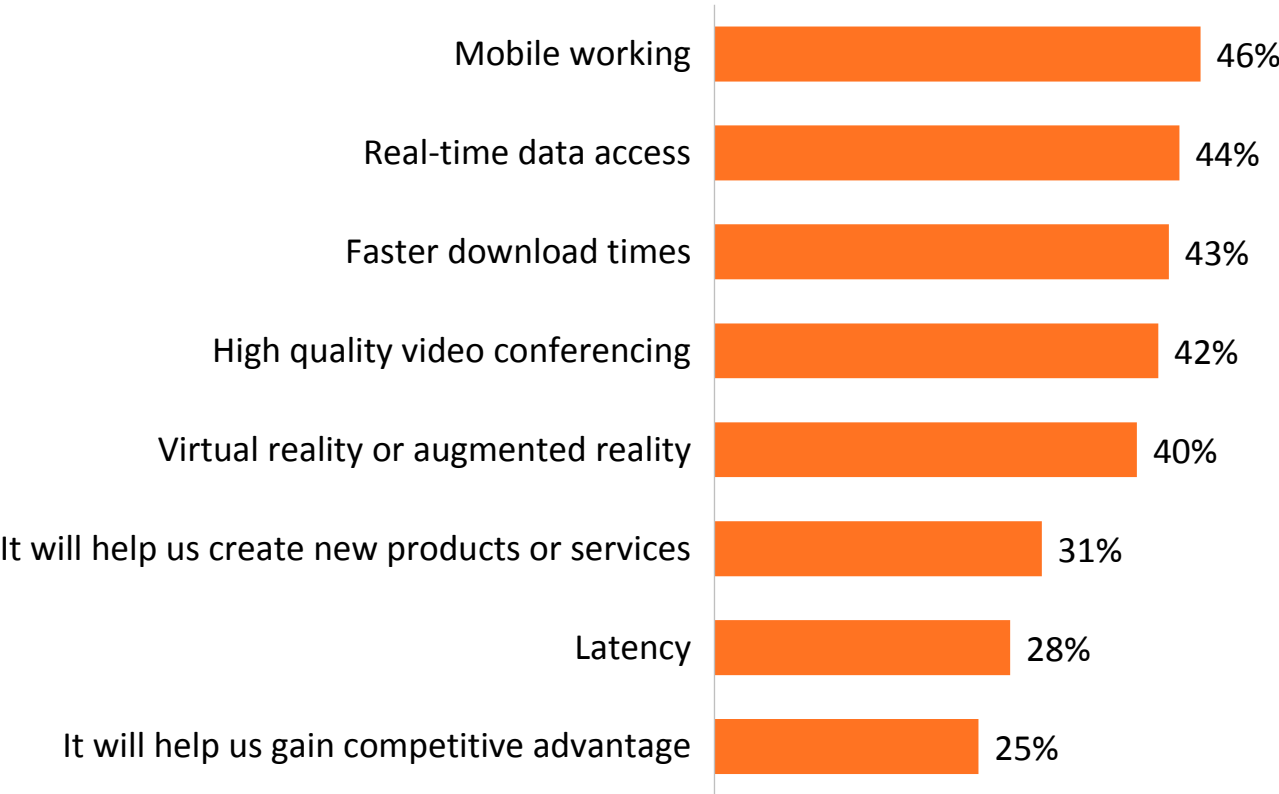- Today: 25%

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Work-from-home (WFH) forces cybersecurity to become a C-level mandate and drives interest in 5G

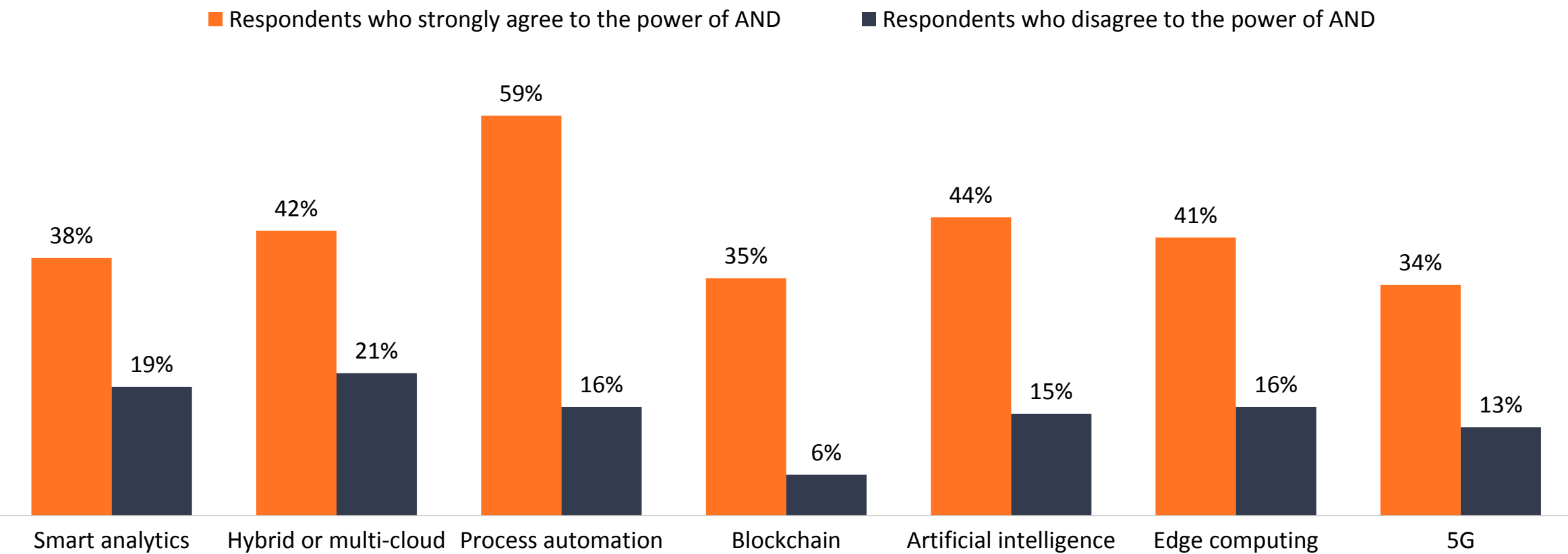**"WFH forces cybersecurity to become a C-level mandate"**

Strongly disagree, 8%

Strongly agree, 24%

Disagree, 14%

54%

Neutral, 23%

Agree, 30%

In light of COVID-19, which, if any, of the following make 5G attractive for your organization?

Mobile working	46%
Real-time data access	44%
Faster download times	43%
High quality video conferencing	42%
Virtual reality or augmented reality	40%
It will help us create new products or services	31%
Latency	28%
It will help us gain competitive advantage	25%

Sample: 300 executives across Global 2000 enterprises surveyed in May-June 2020 (Phase II sample)
Source: HFS Research in conjunction with KPMG

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The power of AND is greater than the power of OR. A combined use of emerging technologies is significantly more beneficial than using any of the technologies in isolation

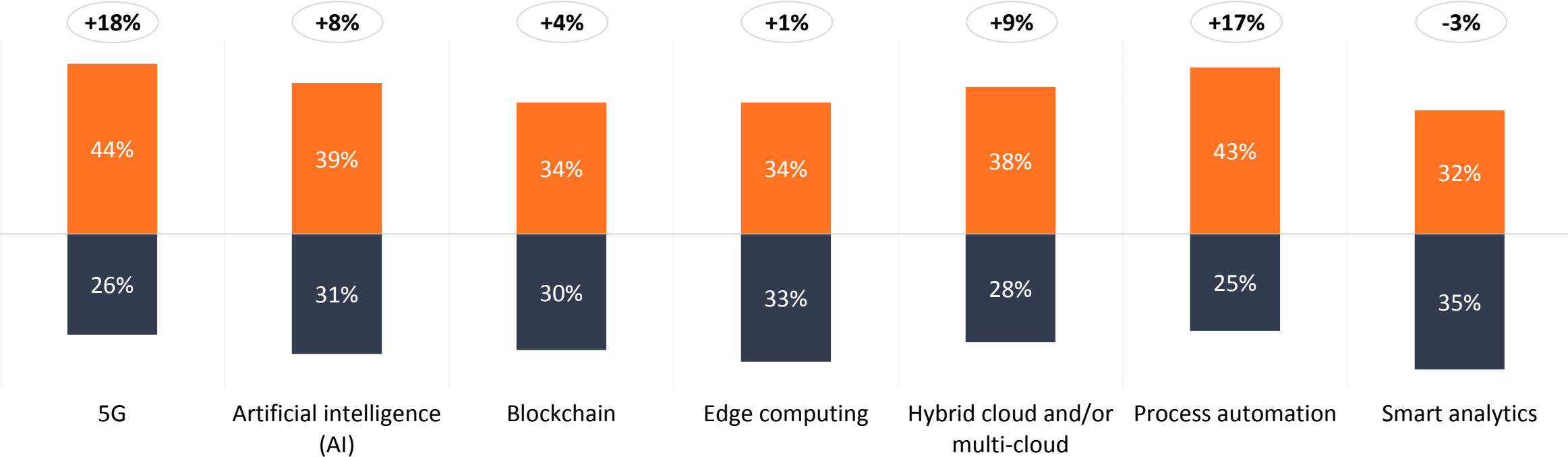**Already realized value from investments in emerging technologies**

■ Respondents who strongly agree to the power of AND   ■ Respondents who disagree to the power of AND

Technology	Strongly agree	Disagree
Smart analytics	38%	19%
Hybrid or multi-cloud	42%	21%
Process automation	59%	16%
Blockchain	35%	6%
Artificial intelligence	44%	15%
Edge computing	41%	16%
5G	34%	13%

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Recessions do end. We expect overall growth in spending in 12 months

Growth especially expected on 5G, AI, cloud, and process automation

How do you anticipate COVID-19 to impact spending in the next 12 months?

■ Decrease ■ Increase

	5G	Artificial intelligence (AI)	Blockchain	Edge computing	Hybrid cloud and/or multi-cloud	Process automation	Smart analytics
Net	+18%	+8%	+4%	+1%	+9%	+17%	-3%
Increase	44%	39%	34%	34%	38%	43%	32%
Decrease	26%	31%	30%	33%	28%	25%	35%

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Questions?

For more details, download a complimentary copy of the research

Home.kpmg/enterprisereboot

www.hfsresearch.com/research/the-enterprise-reboot-digital-transformation-is-key-to-sustaining-relevance-in-a-new-reality

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