



# Connecting the front, middle, and back-office

Managed services is becoming a driving force in transformation





# Delivering ongoing transformation value

The connected enterprise has emerged as the next frontier. In addition to resolving technology debt, this breed of business transformation also addresses the often-overlooked talent and process debt. It aligns the front, middle and back-offices around the customer, creating a borderless organisation where people, data and technology interact to deliver profitable growth.

This model is a future-ready approach for advantage in the digital world. And leading organisations are using managed services to enable it.

According to the KPMG and HFS Managed Services Outlook, a global survey of 800 executives conducted in October 2021, about 75 percent of organisations plan to increase spending on managed services for business transformation in the next two years.

They also anticipate significant financial and operational impact - such as enhanced customer experience, process efficiency, employee satisfaction and regulatory compliance - from using managed services at scale.

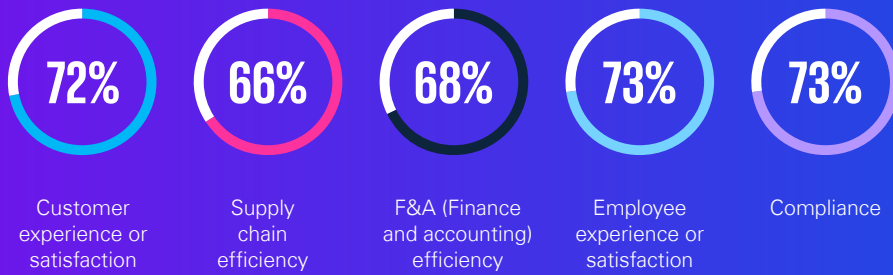
But for managed services to meet such high expectations while enabling a connected enterprise, organisations must choose providers who are strategic partners and problem-solvers, not mere vehicles for transactional execution. The most capable providers combine human expertise with advanced technologies, data insights and leading practices - all packaged on an as-a-service basis. And these providers go beyond cost savings, beyond the back office and beyond technology to create new kinds of value.

 **75%**

of organisations plan to increase spending on managed services for business transformation in the next two years

## Operational impact

Three out of four organisations expect that using managed services at scale over the next two years will deliver significant improvements:



Source: KPMG and HFS Research Managed Services Outlook

## Financial impact

Almost all organisations expect that using managed services at scale over the next two years will improve revenue, profit and cash flow:



Source: KPMG and HFS Research Managed Services Outlook

# Beyond cost savings

To move the needle on their growth ambition, organisations cannot look at cost reduction as the sole reason for using managed services. It no doubt remains important but, in the survey, eight out of ten organisations said the top criteria also include driving innovation, improving stakeholders' experience and supporting digital transformation.

## A new value proposition for managed services



Cost savings



Drive innovation



Improve stakeholder experience



Support digital strategy and transformation

Source: KPMG and HFS Research Managed Services Outlook

Another top enabler of the connected enterprise is talent and, in a world where demand exceeds supply, managed services can provide access to critical domain expertise and sector-specific knowledge. These professionals complement in-house capabilities, help manage cyclical surges in workflow and create effective parity in the competition for top talent. In the survey, eight out of ten organisations said external talent is crucial for some parts of transformation and is a key driver for considering managed services.

80%

of executives say managed services talent will play a crucial role in business transformation



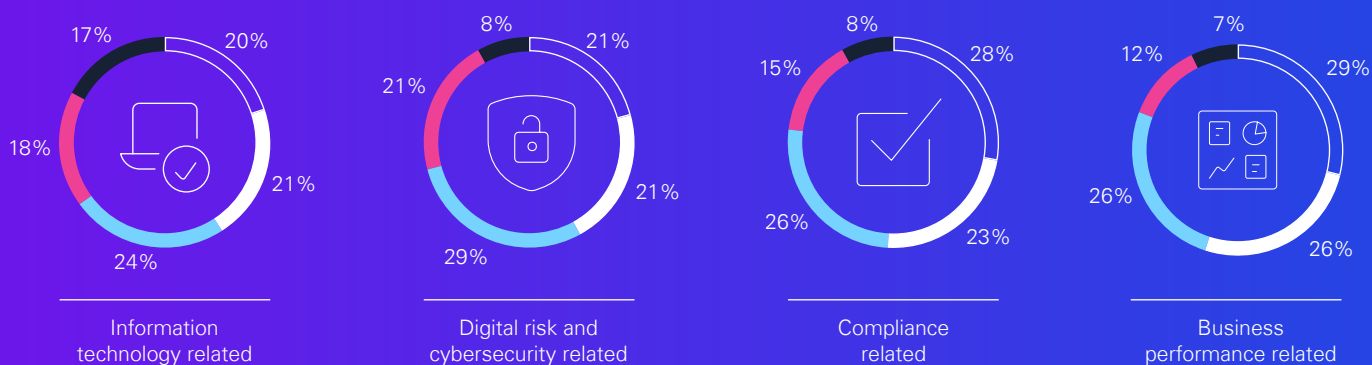


Managed services providers also help increase stakeholder trust, an important outcome of a connected enterprise. Indeed, when an organisation earns the trust of customers, regulators, employees, suppliers and investors, it earns their permission to advance the business with confidence. Trust is also critical in an organisation's environmental, social and governance (ESG) posture, which is vital for enterprise resilience.

To create and sustain digital trust, therefore, information technology will drive the highest demand for managed services in the next two years, with 35 percent of respondents saying they will increase IT managed services by at least 21 percent. This will be accompanied by a substantial demand for managed services in risk, cybersecurity and compliance.

## Building digital trust

Use of managed services is growing in IT, risk, cybersecurity and compliance:



Source: KPMG and HFS Research Managed Services Outlook



# Beyond the back office

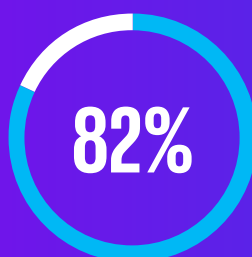
Digital business models cannot thrive with old barriers between corporate functions. That's why a connected enterprise strives to break them down, instead aligning processes digitally throughout the organisation to meet customer expectations, find new value and drive sustainable growth. Accordingly, aspiring connected enterprises are looking to managed services to go beyond the usual back-office processing to also deliver strategic, mission-critical work across the middle and front-office.

In all processes - from IT and finance to risk, regulatory and marketing - connected enterprises align and empower employees around the customer promise. Fittingly, these organisations focus on both customer experience and employee experience, which are key sources of value from managed services. In the survey, nearly two-thirds of respondents said they expect managed services to provide significant improvements on both fronts.

Aligning functions across the enterprise requires a profound shift in the way services are delivered, with data and change management at the center, and forward-thinking companies are turning to modern managed services to help. Instead of simply processing siloed data more efficiently, the best service providers use data-driven analytics to continually rethink processes and better operationalise the growth agenda.

In addition, since transformation success or failure often comes down to change management, companies are increasingly enlisting providers' expertise in this area. Leading providers know how to manage the impacts of new technologies and processes on behavior, culture and performance.

## The rising importance of data and change management



Agree or strongly agree that the traditional "people, process, and technology" paradigm needs to expand to include data and change management

Source: KPMG and HFS  
Research Managed Services Outlook



# Beyond technology alone

A technology-centric view of managed services is a thing of the past. To facilitate a connected enterprise, leading providers certainly bring advanced technology, including cloud tools, analytics, intelligent automation and strategic alliances with software companies. But they combine it with deep functional, industry and process knowledge, along with best practices and insights, to manage risk and help clients get value more quickly.

Indeed, in the survey, 82 percent of executives observed that managed services and consulting services are converging as businesses work with service providers to rethink their operations. In a connected enterprise, a culture of perpetual improvement cannot be decoupled from day-to-day operations.



**of executives want managed services providers to build operational models in addition to running them**

In addition, 83 percent of respondents said they expect managed services providers to bring “build” expertise in addition to traditional “run” capabilities. That is, forward-thinking organisations do not treat managed services as a tactical add-on to the redesign of operations; instead, they work with service providers at the outset of transformation initiatives. They partner to define the growth vision and operationalise it.

# The road to operational excellence

A connected enterprise ultimately integrates data, people, process, technology and change management to deliver the customer promise, build sustainable growth and create business value at every stage of the transformation journey. And that requires operational excellence and responsiveness throughout the enterprise.

It's no wonder that quality - not cost - is the No. 1 metric that most organisations use to evaluate managed services providers, according to the survey. Moreover, 33 percent of respondents said quality issues are behind reversed decisions to work with a provider.

In business transformation, providers of modern managed services are emerging as integral players, drawing from advanced knowledge and technology to create successful, nimble operational models. And as providers take responsibility for more knowledge-intensive, high-value processes throughout the enterprise, it's increasingly important to choose those who can talk the talk and walk the walk.

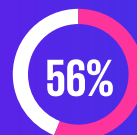
## Expecting more from managed services

01



Quality of service

02



Reliability of service

03



Cost of service

Source: KPMG and HFS Research Managed Services Outlook



# About KPMG Managed Services

Business transformation is the path to sustained advantage. But transformation is not a fixed destination; it's an ongoing journey. How can you continually evolve your business functions to keep up with ever-changing targets?

KPMG Managed Services can help. We combine advanced technology with functional and sector expertise to handle knowledge-intensive processes across your enterprise. In addition to reducing your costs, we drive outcomes like resilience, customer retention, stakeholder trust and competitive advantage. We help you operationalise your growth ambition, so you can accelerate your transformation journey - while minimising disruption and risk. [Learn more about KPMG Managed Services here.](#)

# About HFS Research

HFS Research is a widely acclaimed global industry analyst firm covering the critical people, process and technology strategies impacting major organisations. The HFS mission is to provide visionary insight into the major innovations impacting business operations: Automation, Artificial Intelligence, Blockchain, Internet of Things, Digital Business Models and Smart Analytics. HFS defines and visualises the future of business operations across key industries with its OneOffice™ Framework. Led by award-winning analyst Phil Fersht, with analyst teams based in North America, Europe and Asia/Pacific, HFS is leading the industry with its accessible digital research model that has over two million visitors per year. HFS influences the strategies of enterprise customers, to help them develop OneOffice backbones to be competitive and to partner with capable services providers, technology suppliers and third-party advisors. The "As-a-Service Economy" and "OneOffice" are revolutionising the industry.

[Learn more about HFS Research here](#)

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