



Shaping the Service Company of the Future: What Service Firms Need to Know

IT and business services have changed dramatically over the past decade in response to emerging technology trends and shifting customer needs. Digital Transformation has become the perfect storm for the service industry, requiring multiple strategic and service delivery adjustments as well as new and advanced organizational models.

However, many traditional IT services firms are experiencing stagnation, declining market share, and increasing encroachment from digitally-native competitors.

By 2020, spend for business consulting, IT consulting, BPO, and managed services and support services will reach \$1T.



In order to survive this “post-digital” world, firms will need to develop and adapt new strategies to model themselves into the **Service Companies of the Future**. A Service Company of the Future will be more streamlined, flexible, agile, automated, asset-based, and intelligent, and rely more on ecosystems of capabilities to profit and compete successfully.

IDC has established a framework that the Service Company of the Future should follow in order to become successful in the face of this dramatic market transformation. This framework consists of four company dimensions:



Organization

The firm's structure will need to empower individuals to move fluidly and autonomously to drive organizational outcomes. The organization itself will need to be "super-devolved" with a flat hierarchy and minimal management layers.



Leadership

In a devolved organization, leadership is critically important. Employees should be contextually-led based on project needs, and leaders should encourage teams to be "relentlessly innovative," valuing innovation even at the price of occasional failure.



Tooling

Tooling dimensions are comprised of platform capabilities that incorporate technologies and functionality to support service requirements and users; sensing capabilities to extract information needed to adapt to changing market dynamics; and learning processes that help evolve capabilities in a more predictive means.



Customer-Focused

The Service Company of the Future will be totally client-aligned, with its financial and operational goals and interests aligned with the client through risk/reward sharing, joint ventures, and other means. It will also constantly seek out external technology ecosystems to augment with internal resources to build better client solutions.



A Service Company of the Future will be more streamlined, flexible, agile, automated, asset-based, and intelligent.



To learn more about additional IDC research and tools around this benchmarking process and IDC's expert research and advice on IT Services, contact your IDC Account Representative or Erin Cushing at ecushing@idc.com

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What's Next for Service Firms?

To compete with digitally native service firms and become a Service Company of the Future, organizations should consider the following actions:

1. **Understand how customer needs will change**, and deepen relationships with clients in response. Continually demonstrate purpose and performance-led linkage between client business goals/purpose and the value that the service relationships can unlock.
 2. **Benchmark the current ethos, resources and capabilities** of the firm to identify areas ready for improvement or transformation to meet future customer needs.
 3. **Invest in internal Digital Transformation**, and communicate and extend the value of these investment to clients. These investments in organizational structure and methods, leadership, tooling, and total customer focus should be positioned as investments in serving clients.
 4. **Invest in a strategic advisor that can help the firm calibrate its dimensions** and can advise on the optimal dimensional profile between Organization, Leadership, Tooling, and Customer Focus. IDC offers specific Target Operating Model (TOM) benchmarking tools and services, along with advisory services and market knowledge around future customer needs, dimensional tracking, and Digital Transformation (DX).
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The first step towards becoming a true Service Company of the Future is to benchmark your company along the four key dimensions of the SCoF framework.