



FORRESTER®

Foster Business Model Innovation To Achieve Growth Goals

Capitalize On The Rise Of The Services Economy
With Project-Based Operational Models

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Executive Summary

The disruption of the pandemic elevated the need for better insights across the entire business operations experience. Coming into 2020, executives planned to invest in new service offerings and optimizations to improve how value is delivered to customers, but the pandemic blindsided them. This global catastrophe exposed vulnerabilities in business models and workforce strategies that executives thought they had time to address.

Organizations can no longer have static, retroactive views to determine the success of growth initiatives or business model change. As such, they are reassessing their current models, including financial monetization plans that capture value, operational processes to deliver outcomes, and organizational structures that set people up for success. In this process, many are shifting to service-centric business models that reap the benefits of recurring revenue monetization strategies.

Microsoft commissioned Forrester Consulting to evaluate how market trends and business model transformation impact business teams. The focus of the study was to determine how organizations are capitalizing on the rise of the service-centric business models. Forrester conducted an online survey with over 500 respondents and two qualitative interviews with global practice and financial leaders to explore this topic. We found that many companies are adopting project-based operations to streamline service. Teams are being tasked with improving customer outcomes, service quality, and profitability; however, they are blocked by disparate systems and data silos. Therefore, organizations are investing in flexible, connected, and scalable technology to unify the enterprise and lead them to success across key roles and scenarios.

Key Findings



Societal and business trends are creating massive marketplace disruptions that organizations must address.

These trends are influencing business operations and technology investments as organizations grapple with new ways of working and evolving environments. Focused efforts in this space support organizations' primary goal: producing quality products and services.



Organizations are facing a perfect storm of challenges when adopting project-based operations. These challenges prevent organizations from realizing the full potential of new service-centric business models. Externally, macroeconomic factors such as supply chain issues and staffing shortages are hampering project-based operations. Internally, organizations are facing a rash of challenges related to project delivery (e.g., lack of clarity, connectivity, and insights). These hurdles are driving organizations to reevaluate their project-based operations and accelerate growth through business model innovation.



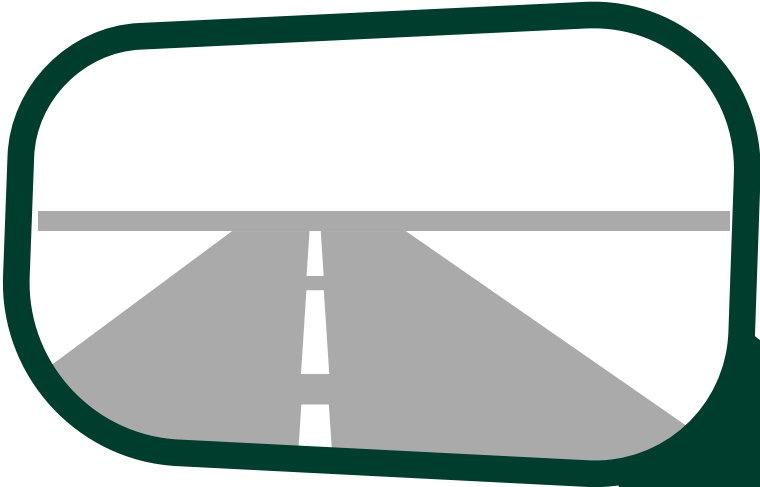
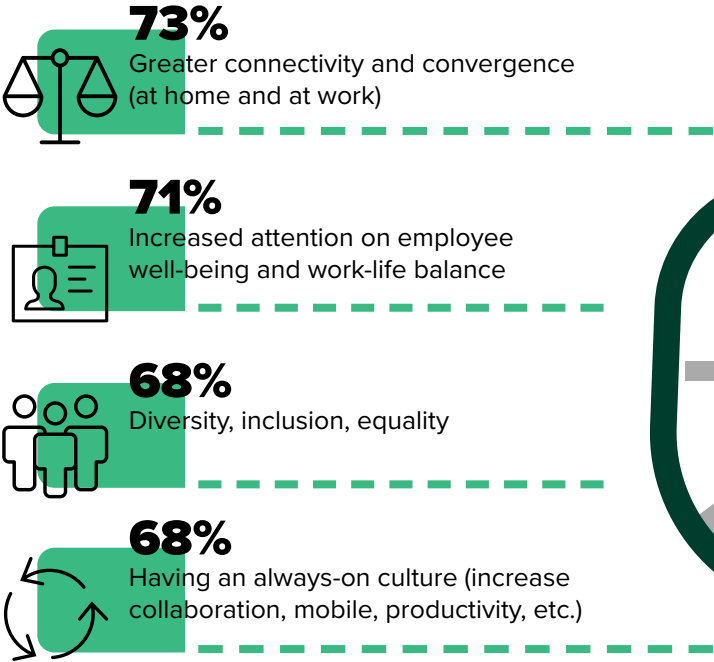
Organizations are moving to project-centric operations to change the way people work together to deliver better customer outcomes. Organizations must evolve their business models to remain competitive and improve revenue recognition. They are improving project-based operations and recalibrating the employee experience to align with modern working environments. To support these endeavors, organizations must equip employees with the right capabilities to enable customer obsession and measurable growth.

Societal and Business Trends Alter The Definition Of Work And Success

Recent societal disruption has blurred personal and professional lines, requiring organizations to reflect these changes in the workplace. This includes areas like staff well-being, culture adjustments, and new connectivity requirements (see Figure 1).

These trends would be more than enough to engulf organizations during normal operation, but these are unprecedented times. As a result, practice and financial leaders are now preparing for a generational shift at their organization and having a multi-generational workforce, political changes, and an increased focus on sustainability.

Figure 1
Top Societal Trends Organizations Have Experienced



Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures
Note: Top four responses shown
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

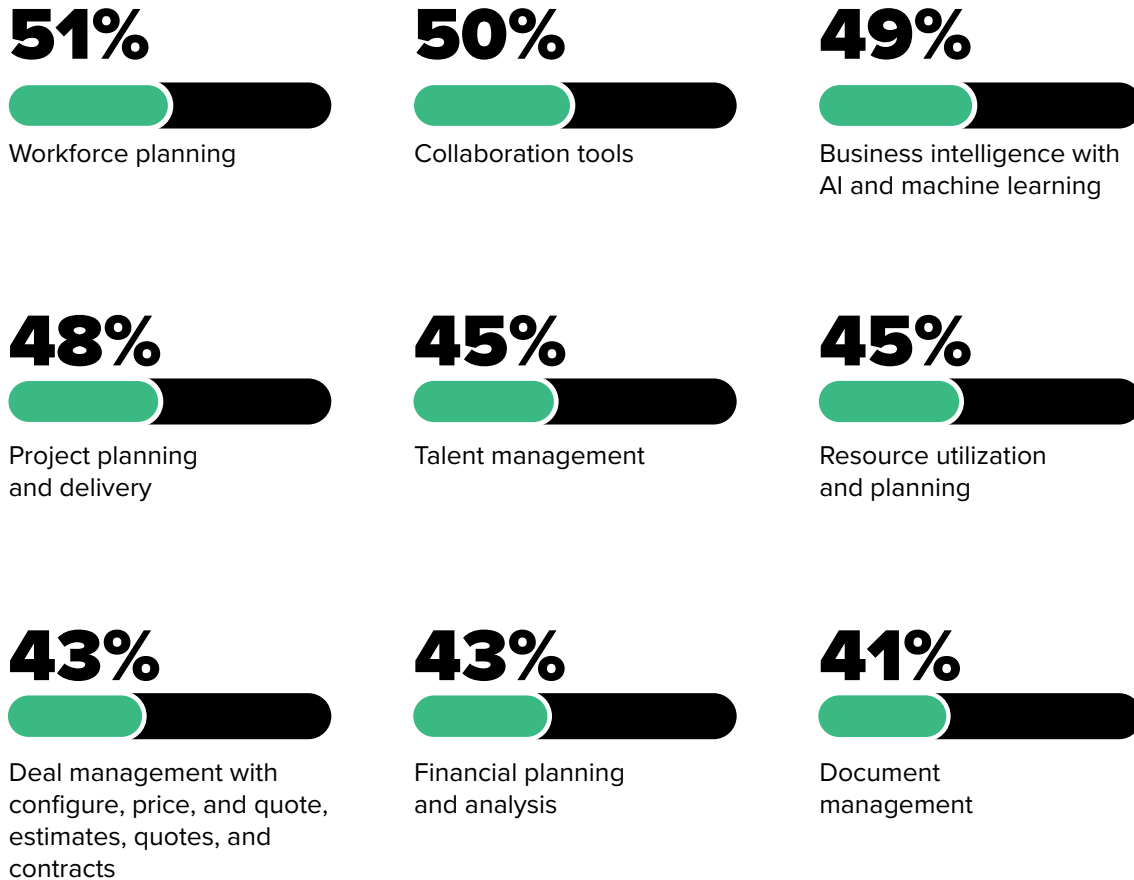
These societal trends are having a direct impact on businesses and will continue to do so in the future. In the wake of marketplace volatility, organizations have experienced an increased focus on brand trust, changing workforce demands, and a greater emphasis on hybrid work. As practice and financial leaders manage these trends, they also have one eye on the future in anticipation of hyper acceleration, business model innovation, commodification, and a greater emphasis on a purpose-driven vision.

Workforce technology is evolving because of these changing business dynamics.

- **Organizations are adopting technology that will make them faster, more adaptive and connected.** Over three-quarters of respondents' organizations have invested in cloud, infrastructure as a service, software as a service, and internet of things (IoT); over 60% of respondents' organizations have adopted solutions to support system convergence (e.g., converging, CRM, ERP, HCM, and PSA systems), automation and ML, and business applications designed for service-centric businesses or teams.¹
- **Organizations deploy a variety of technologies throughout the project lifecycle.** To help employees produce quality products and services, over 40% of responding practice and financial leaders report that their organization is deploying nine different technologies to support executing project initiatives from beginning to end (see Figure 2). Of these solutions, employees gravitate most to the tools that help them work smarter and more effectively, such as:
 1. Workplace planning.
 2. Collaboration tools.
 3. Business intelligence with AI and ML.
 4. Resource utilization and planning.
 5. Financial planning analysis.

Figure 2

“Which of the following technologies does your organization deploy to support employees with executing project initiatives from beginning to end?”



Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

- **Organizations will continue to support changing business dynamics through technology investments.** Over half of responding practice and financial leaders report that their companies will invest in automation everywhere (e.g., hyper automation) in the next two years to help them keep pace and scale as needed. Just under half of respondents are planning to invest in the metaverse to help them create more immersive business experiences in an increasingly digital world.

Responding practice and financial leaders expect these technology investments to support several outcomes but producing quality products and services is their most important priority when it comes to successfully running a service-based business or department. Quality even trumps profitability in most cases. The respondents' focus on quality is so significant that they rate improved quality of service as a more important business outcome to achieve than higher profitability and increased revenue (see Figure 3).

Figure 3

“Which of the following business outcomes are most important to achieve at your organization?”



Producing quality products and services is the most important priority to respondents when it comes to successfully running a service-based business or department. In most cases, quality even trumps profitability.

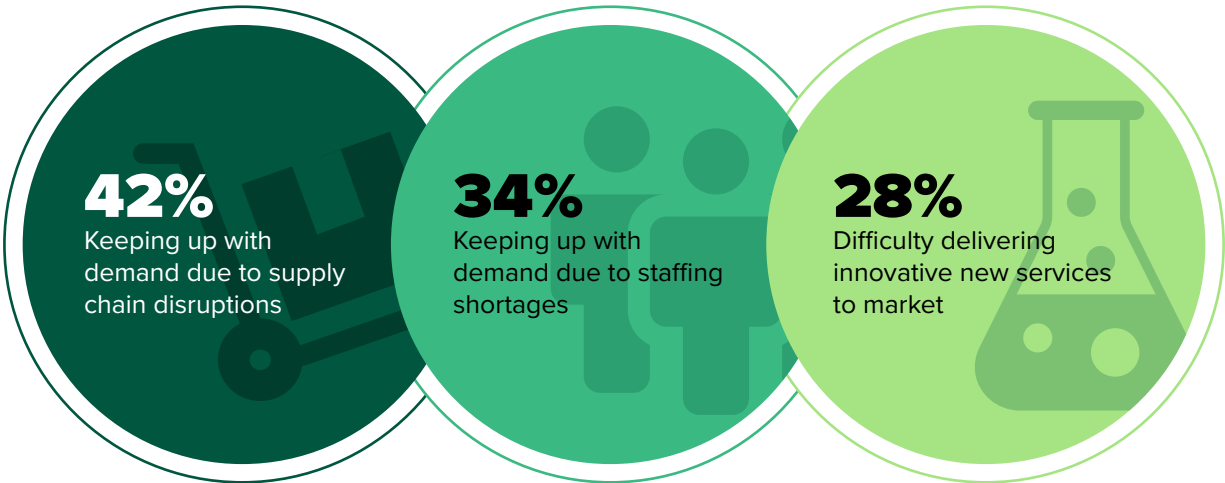
Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures
Note: Respondents ranked their top five answers
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

Internal And External Pressures Are Forcing Organizations To Act

In the midst of these changes due to societal and business trends, macroeconomic factors are also having a direct impact on project and service-based organizations. Respondents report they are struggling to keep up with demand due to supply chain disruptions and staffing shortages. These challenges also make it more difficult for them to deliver innovative new services to the market (see Figure 4).

Figure 4

“What customer-related challenges does your organization face today?”



Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures
Note: Top three responses shown
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

Additionally, weak project-based operations can have severe consequences on the organization. In particular:

- **Uncertainty of success can lead to chaos.** Nearly half of practice and financial leaders surveyed report that their organization lacks insight into project or service success or profitability. This uncertainty around project value can have implications on the organizations such as exposed risk and security, unnecessary audits, loss of productivity, high employee turnover, losing deals to competitors, slower time to delivery, and poor customer loyalty. On average, roughly one-quarter of respondents report these concerns as leading challenges with project-based operations.

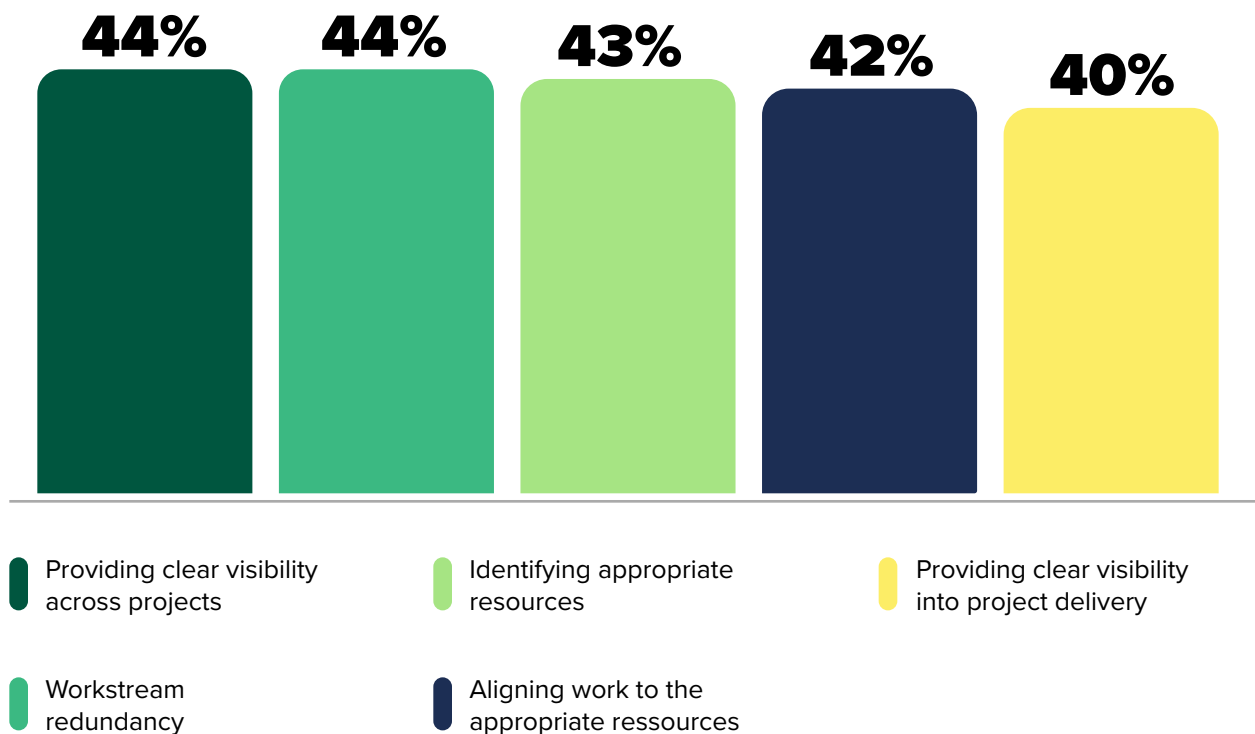
- **Lack of project clarity negatively impacts resource utilization.** Respondents report that providing clear visibility across projects, workstream redundancy, and identifying appropriate resources are their organizations' biggest business process challenges that they face with project execution and delivery (see Figure 5). These challenges are crippling, especially since organizations are trying to keep pace with supply chain and staffing demands.

“Our margins are terrible, but you can't do anything about it when you find out after the fact. [We] have no real-time utilization of anything.”

- VP of finance at a software company

Figure 5

“What are the biggest business process challenges your organization faces today related to project execution and delivery?”



Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures

Note: Top five responses shown

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

- **Planning and spending need improvement.** To achieve their goals of enhancing project/service quality and speed, over 40% of respondents believe their organizations must improve project planning and delivery as well as spending and procurement. Just over one-third feel efforts need to be concentrated on business process automation and deal management.

These challenges are significant and should not be left unresolved; however, organizations face an uphill battle because, as with any transformation initiative, change and uncertainty lead to apprehension. Survey data suggests that change management is the greatest barrier to improving project-based operations capabilities. Therefore, a focus on transparency into key business processes is critical because it can help employees overcome concerns about change. Additionally, clear ROI and value must be established.

Business Model Improvements Should Yield Greater Visibility And Alignment To Produce ROI

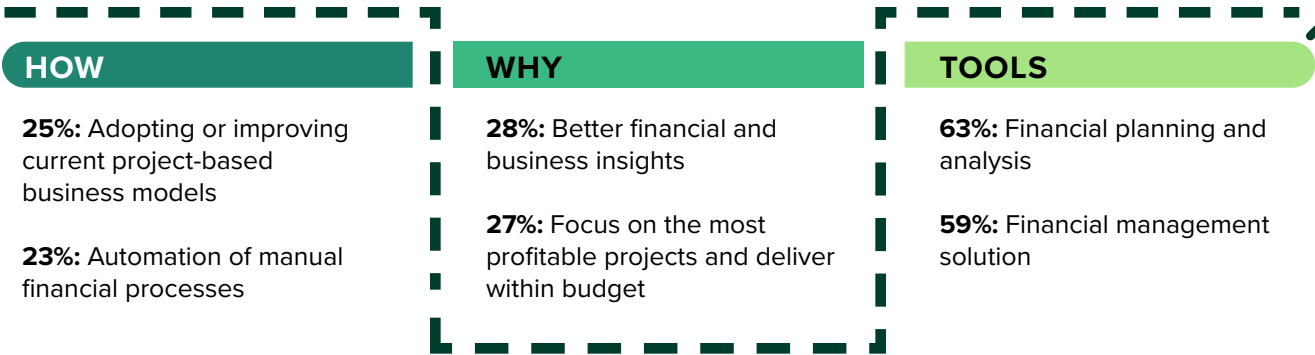
Improving revenue recognition is the main driver of business model transformation for nearly half of the respondents' organizations. Secondary targets include the ability to refine offerings based on the most profitable projects and refining project pricing based on the digitalization of delivery. Due to these goals, roughly 40% are also evolving their financial models (i.e., how they price and bill, as well as how they structure their general ledger, subdivisions, entities, financial dimensions, etc.). Of course, financial model evolution is more of a top priority for financial leaders than practice leaders. Responding practice leaders are more focused on strategy and planning, but the path to success follows a similar pattern for most.

Critical actions and milestones in this journey include:

- Taking a project-based approach.
- Adopting greater automation.
- Gleaning better financial insights.
- Focusing on the most profitable projects and delivering within budget.
- Leveraging financial planning and analysis and financial managements solutions. (see Figure 6).

Figure 6

The Path To Financial Model Transformation



Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures
 Note: Top two responses shown from three survey questions
 Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

Revenue, profitability, and price are top of mind for capital-conscious practice and financial leaders; however, organizations are also evolving their business models to future-proof their operations and become fit for purpose. In this endeavor, respondents' organizations are striving to improve their tactics towards people, processes, and planning.

- **Seventy-two percent** of respondents are prioritizing the ability to improve strategy and planning (i.e., enable a more future-focused predictive business model transformation to better prepare for disruption).
- **Sixty-four percent** of respondents are prioritizing the ability to improve their operational processes (e.g., how they deliver value and drive process optimization).
- **Sixty-two percent** of respondents are prioritizing the ability to enhance their organizational structures (e.g., how they design their workplace culture and tie people to impact).

EMPLOYEE HEALTH AND PRODUCTIVITY COMES INTO FOCUS AS ORGANIZATIONS CONTEMPLATE CHANGE.

Organizations have an employee-first mindset when it comes to enhancing organizational structures. Roughly half of respondents' firms are improving their team collaboration and connectivity capabilities, making workforce well-being investments, and offering employees new strategies for improving their work-life balance. Just under half are taking action to enhance resource assignments and utilization and to improve the employee experience in general (see Figure 7).

Figure 7

“What actions are your organization taking to enhance its organizational structures?”



Base: 316 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures

Note: Top five answers shown

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

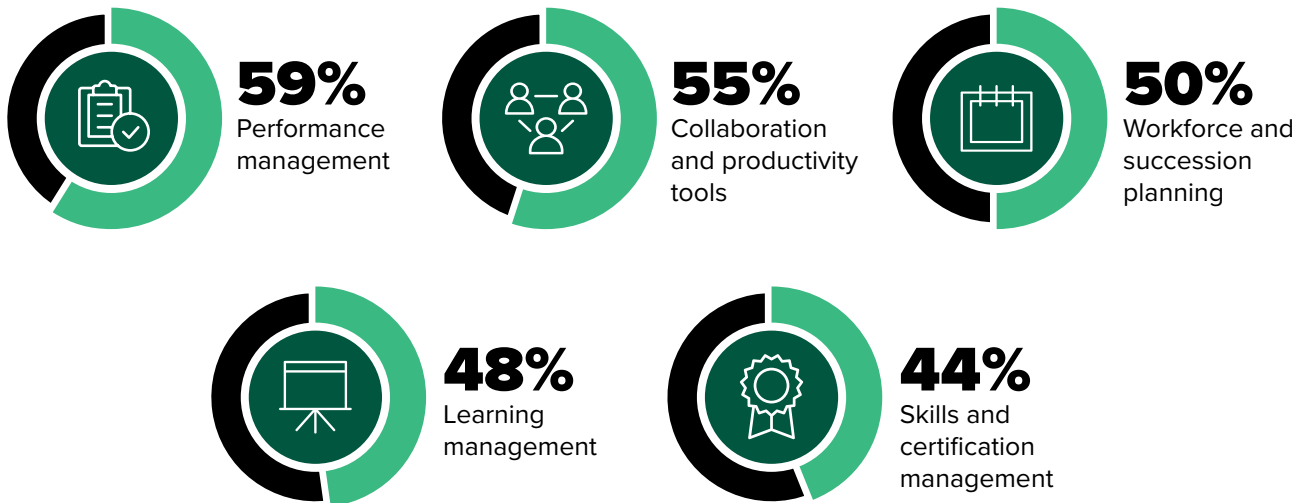
To support these strategic enhancements for the employee experience, interviewees’ organizations are also thoughtfully investing in new technologies to bolster performance, collaboration, succession planning, learning, and upskilling (see Figure 8).

Additionally, financial and practice leaders are wisely implementing new technologies to specifically improve project-based operations. Usability and flexibility are the most important factors when assessing these technologies. For example, just over a third rated the ability to track projects efficiently and to submit, approve, process, and reconcile time and expenses from anywhere as the most important new technology considerations.

These findings highlight how organizations are adjusting their strategies to better fit new employee mindsets and working styles. The common expectation among respondents is that enhanced employee effectiveness (including resource utilization and collaboration), improved project reporting and analytics, and increased business agility and operational excellence will lead to better project-based operations in general.

Figure 8

“What employee experience technology investments are you planning to make to help enhance your organizational structure?”



Base 316 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures

Note: Top five responses shown

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

SETTING GOALS AND TRACKING GROWTH

As organizations mature their business model and project-based operations, providing clear visibility across the entire project lifecycle and aligning the right people to the right projects to optimize delivery and profitability are the two most important enhancements to achieve. Improvements in these areas enable organizations to scale and execute projects without sacrificing speed, a quality which is a key performance measure when tracking customer goals. According to the survey, the top three KPIs finance and practice leaders currently track are:

- Service excellence (e.g., service quality and value) with 74% of respondents.
- Project delivery (e.g., speed/time to delivery) with 70% of respondents.
- Project excellence (e.g., project quality and value) with 67% of respondents.

Interestingly, forward-looking goals are more focused on growth for most organizations, reflecting how maturity plays a critical role when measuring performance of project-based operations. Survey data says the leading KPIs finance and practice leaders are planning to track are:

- Hypergrowth (e.g., rate of customer acquisition and retention) with 51% of respondents.
- Resource allocation utilization (e.g., ensuring resources are fully utilized) with 39% of respondents.
- Organic business growth (e.g., revenue/increased customer growth) with 39% of respondents.

Tracking these metrics to improve delivery and growth demonstrates a customer-focused mindset that these organizations are looking to capitalize on, and for good reason. Customer obsession — putting the customer at the center of your leadership, strategy, and operations — enables your company to sense and respond to market circumstances. This flexibility ensures customer satisfaction, employee engagement, and revenue growth in any economic climate.² Our survey data also backs this up as organizations are working to improve CX with an end goal in mind. For example, over half of respondents believe improved CX will lead to new business insights and increased profitability (see Figure 9).

Increased revenue recognition can only be obtained when organizations put the right strategy in place. Employees and customers must be at the heart of that strategy and supported by the right tools, capabilities, and performance measures.

Figure 9

“What are the most important benefits to achieve by improving your customer experiences?”



Base: 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project-based teams, businesses, or organizational structures

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2022

Key Recommendations

Project-centric business teams are being tasked to do more than ever before. Business models are shifting to be more service-oriented, new automation processes are evolving, and workforce optimization is growing productivity. Project-centric businesses, however, are still lacking connectivity and visibility for improving at multiple levels across an organization. Additionally, disparate systems and data silos are impacting success. Modern organizations that embrace service-oriented business models and understand how and where to minimize applications for managing their operations' ecosystems will empower their teams to win more contracts, optimize resource utilization, accelerate project delivery, and gain new business insights.

To put your organization on the right path to achieve these results, Forrester recommends the following:

Objectives for business model innovation must go beyond financial monetization.

Additional factors must include improving operational processes to deliver better outcomes and enhancing organizational structures that set people up for success. Business model improvements also require providing the ability to glean greater insights into end-to-end business operations. Doing so empowers organizations to deliver more effectively. In this process, organizations must also nurture their employees by providing modern working environments that align to personal needs so they can be adaptive and not overwhelmed.

Adopting project-based operations can help organizations gain better visibility into profitability.

Clear project tracking from end to end and connected teams enable the organization to focus on, and prioritize, the customer outcomes that lead to greater profitability. Leveraging technologies that empower system convergence (CRM, ERP, HCM, and PSA) is a critical component of a connected ecosystem.

Support new platforms with the right partners.

Business model innovation and improved project-based operations require a thoughtful strategy, technology investments, and fit-for-purpose performance metrics. Partnering with a provider that has deep expertise and capabilities can help organizations achieve their goals and continuously improve.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 509 global manager-level and above practice and financial leaders who have decision-making influence within service and project teams or businesses and two qualitative interviews. Questions provided to the participants asked about project-centric businesses tools. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in March and was completed in April 2022.

Appendix B: Demographics

COUNTRY	
United States	28%
United Kingdom	22%
India	26%
Germany	5%
France	6%
China	1%
Canada	6%
Australia	6%

RESPONDENT LEVEL	
C-level	23%
Vice President	12%
Director	25%
Manager	40%

WHICH OF THE BEST DESCRIBES YOUR ROLE AT YOUR ORGANIZATION?	
Project manager officer role	32%
Operations lead	24%
Floor manager	16%
Finance manager	12%
Practice leader	10%
Account manager	3%
Resource manager	3%

COMPANY SIZE	
500 to 999 employees	17%
1,000 to 4,999 employees	54%
5,000 to 19,999 employees	22%
20,000 or more employees	7%

INDUSTRIES	
Technology and/or technology services	37%
Financial services and/or insurance	24%
Construction and engineering	10%
Advertising and/or marketing	10%
Business or professional services	10%
Manufacturing and materials	7%
Consumer products good and/or manufacturing	2%

POSITION/DEPARTMENT AREA	
IT	61%
Finance/accounting	20%
Operations	13%
Line of business/product team	5%
Consulting	2%

Note: Percentages may not total 100 because of rounding.

Appendix C: Endnotes

¹ ERP: enterprise resource planning; HCM: human capital management; PSA: project service automation; ML: machine learning.

² “Customer Obsession Explained,” Forrester Research, Inc., May 3, 2021.

The image features a dark green background with several overlapping, semi-transparent light green shapes that resemble stylized hills or waves. The word "FORRESTER" is centered in a white, serif font, with a registered trademark symbol (®) to its upper right.

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