FORRESTER®

Brief: Going Digital? Then Goodbye Suburban Sheetrock, And Hello Urban Exposed Brick

Services Firms' New Digital Studios, IoT Labs, And Insights Centers Provide CIOs With New Ways To Engage The Business On Digital

by John C. McCarthy
July 30, 2015 | August 6, 2015

Why Read This Brief

CIOs need assistance with taking their businesses digital. Business consultants and technology services firms may have a new way to help. They are building out urban digital design studios, insights centers, and Internet of Things (IoT) labs that bring technology, business, and marketing managers together to design the experience — and match the ethos of the digital and interactive agencies. Forrester believes that these new workspaces with the skills they contain and their way of operating will become the new services go-to-market approach. They also are a key vehicle for CIOs to more closely engage with their business and marketing peers — and change the technology culture as part of the business technology (BT) transformation.

Key Takeaways

Consultants And Systems Integrators Are Investing Heavily In New Digital Studios
Firms including Accenture, Capgemini, Deloitte, IBM, Infosys, and TCS will add over the next 18 months or have added over past 12 months more than 100 new design studios to compete with the digital and interactive agencies.

Studios Showcase A New Mix Of Skills And Ways Of Working For Stakeholders
These physical spaces will become the go-to-market strategy for services firms pursuing digital business projects. Their ability to showcase the necessary multidimensional skills, coupled with a mechanism for getting all stakeholders to agree on a strategy and the new iterative and agile way of working, will be key to winning deals.

CIOs Will Use Studios As Key Tool In The BT Transition
Technology managers will use these workspaces to show traditional IT staff the new ways of working and ultimately set up their own digital studios to attract new talent and change the mindset to master design thinking, Agile development, and multidimensional skills -- all key to become a digital business.

Brief: Going Digital? Then Goodbye Suburban Sheetrock, And Hello Urban Exposed Brick

Services Firms' New Digital Studios, IoT Labs, And Insights Centers Provide CIOs With New Ways To Engage The Business On Digital

by John C. McCarthy
with Pascal Matzke, Ted Schadler, Amanda LeClair, and Karen Traikovich
July 30, 2015 | Updated: August 6, 2015

Multidimensional Studios Play A Key Role In The Digital Journey

For more than a decade, interactive and digital agencies have used design studios to engage CMOs and their staff. But over the past 36 months, traditional business consultants and technology services firms have also dramatically expanded their digital studios as the new go-to-market strategy for their digital services. Deloitte and KPMG on the consulting side and systems integrators like Accenture, Atos, and Infosys have opened their own studios as part of acquisitions with OpenMinds, Cynergy, Fjord, Cambridge Technology Partners, and Skava, respectively. Other firms like Capgemini, IBM, and TCS are investing in their design center footprint as well. Deloitte's revenue from its digital studios is growing at a faster pace than other service areas, and those front-end design projects pull through as much as five times more in traditional services spending. By the end of 2016, there could be as many as 100 of these design centers around the world run by traditional consulting and technology services firms.

So what do these design studios mean for CIOs? This new style of workspace has become a neutral location to engage different business and marketing stakeholders around new digital business models and build momentum for the required investments and transformations. In parallel, these studios are a way to show current technology staff the hybrid skills and new ways of working like design thinking and Agile that are a major part of the BT shift. Studios provide a physical and mental space in which:

› **Suppliers showcase their digital capabilities and multidisciplinary teams.** At their core, these new studios are about bringing together and fostering close working relationships across the multidisciplinary, multidimensional skills required to deliver digital projects. Systems integrators have a tough time assembling the right team of designers, customer journey mapping experts, vertical expertise, Agile/DevOps capabilities, and architectural talent under their current siloed service line models. The design studios are a way to assemble that talent under one roof and integrate it to meet the needs of clients and compete with the digital agencies.

› **Different business and technology stakeholders forge a common digital vision.** The space allows all the decision-makers from CIO and CMO to chief technology officer, head of eCommerce, customer service, and product lines to step away from their daily work and come to a neutral site to see things differently. Studio staff leverage customer research, experience design, and vertical expertise to drive the discussion and agreement among participants. Vendors provide facilitated workshops to help CIOs forge an agreement on the right digital strategy and investments.

› **Agile teams with design-thinking cultures are stationed and work.** The small multidimensional teams work very differently than traditional IT.[1] They rely on rapid prototyping and minimum viable products with customer testing to iterate rapidly through new releases. For example, Capgemini uses a "fast and furious" process, an element of its Applied Innovation Exchange framework and platform, to accomplish this. Vendors host this talent in their studios either permanently or on a rotating-assignment basis. They work with a combination of mobile, cloud, social, and insight-based technologies to drive quick-turn innovation.

› **Prebuilt solutions help CIOs and clients move forward.** The old consulting model of taking six months to study the problem and devise a solution is not part of the digital studio mindset. The lab teams and their ecosystem partners make the upfront investments in research and design to kick-start the strategy session with prototypes and wireframe mockups to help the business grasp the digital opportunities and drive the project funding. KPMG offers a startup finder service that maps potential disruptions to the client's value chain.

Three Flavors Of Studios Target Different Types Of Digital Systems

Over the next 36 months, Forrester believes that these digital studios will expand into three distinct versions focused on projects and strategy work on the new platforms that will be core to firms — systems of engagement, IoT platforms, and systems of insight.[2]

› **Digital studios will focus on systems of engagement and overall strategy.**[3] This is the starting point for the new workspaces, as mobile is driving business-to-consumer (B2C) companies to build whole new experience architectures to meet the rising demands of consumers for service in their mobile moments. To help craft clients' digital strategies, KPMG has set up its New York City innovation lab in a WeWork shared office space for startups to create an atmosphere conducive to trying new ideas.

› **IoT labs will foster the design and development of smart connected products.**[4] The need for a digital strategy, multiple skills, and new ways of working that have been developed around B2C industries also applies to the development of smart, connected products across different business-to-business sectors. IoT investments require a similar transformation as firms grapple with the shift to an as-a-service business model and value-added data services. They will also need a mix

of design, embedded, production, development, field service, and domain skills to create smart connected products. Under a nondisclosure agreement, Forrester has been told that at least two services vendors will roll out dedicated IoT labs later this year.

› **Insights centers will help firms harness insights and turn data into action.** Turning data into insights and effective action in real time will be a core competency of a successful digital business. Building these systems of insight requires a dynamic combination of designers, data scientists, and architects, as well as open source, domain, and business process expertise. To consistently turn insights into action, Capgemini created its Automotive Insights Lab, where car executives can experiment with prebuilt analytics applications against a data lake of industry data on buying intentions, pricing, and warranties. In addition, IBM has created a system of insights lab as part of the IBM Watson Group headquarters in New York City's Silicon Alley.

Recommendations

CIOs Will Use Studios As Part Of BT Cultural Transformation

One of the biggest challenges facing technology management leadership and CIOs is the cultural shift to become digital. In a world in which software increasingly delivers the brand experience, CIOs and BT shops need to operate more like a cloud-based software company — building the differentiating software platforms that deliver their products and services.[5] While digital studios will play a critical initial role in helping business leaders and the BT leadership understand the role of digital in the overall business strategy and building initial digital services, Forrester expects that they will also be a key tool in the migration to BT. Smart CIOs will use the labs in a three-part strategy:

1. **Initially, the labs will make the new skills and ways of working real for the IT skeptics.** In addition to being project igniters, studios will also help CIOs demonstrate how customer journey mapping and experience design dovetail with an Agile and DevOps mindset. Traditional development teams can see firsthand how a minimum viable product approach drives success through iterative development. ING Bank found that its Agile teams originally established for its mobile apps helped ignite interest in Agile across dozens of traditional project teams.

2. **Traditional IT teams will work in the labs as part of a digital apprenticeship.** One step in the cultural shift for CIOs will be to take small teams out of IT and have them do an internship as part of the digital projects being done in the labs. After completing the projects, these teams can bring the new ways of working back into the organization.

3. **Firms will set up their internal labs to scale the transformation.** Large IT shops can afford to invest in their own digital studios. CIOs can use the recently re-cultured staff who have completed external internships at third-party labs to seed the centers. For example, Capital One bought Adaptive Path to provide the studio capability to the greater organization.

FOR CIOS   July 30, 2015 | Updated: August 6, 2015

Brief: Going Digital? Then Goodbye Suburban Sheetrock, And Hello Urban Exposed Brick
Services Firms' New Digital Studios, IoT Labs, And Insights Centers Provide CIOs With New Ways To Engage The
Business On Digital

Engage With An Analyst

Gain greater confidence in your decisions by working with Forrester thought leaders to apply our
research to your specific business and technology initiatives.

Analyst Inquiry

Ask a question related to our research; a
Forrester analyst will help you put it into
practice and take the next step. Schedule
a 30-minute phone session with the analyst
or opt for a response via email.

Learn more about inquiry, including tips for
getting the most out of your discussion.

Analyst Advisory

Put research into practice with in-depth
analysis of your specific business and
technology challenges. Engagements
include custom advisory calls, strategy
days, workshops, speeches, and webinars.

Learn about interactive advisory sessions
and how we can support your initiatives.

Endnotes

[1] Building and delivering great digital experiences will be the beating heart of your customer engagement strategy for
the next 10 years. The challenge of making a simple, intuitive app that fronts a complex system of engagement will
stretch the abilities and swamp the resources of most firms. For help, firms increasingly turn to vendors that possess
a connected portfolio of engagement competencies and management skills. The result will be a new market for digital
engagement providers that will grow to $32.4 billion by 2018. No vendor can do all of this today, but suppliers from
six categories — digital agencies, management consultancies, mobile specialists, product development specialists,
systems integrators, and telcos — are chasing the prize. See the "Wanted: Digital Engagement Providers" Forrester
report.

[2] Businesses are drowning in data but starving for insights. Worse, they have no systematic way to consistently turn
data into action. This can't continue. Demanding customers and competitive pressures require firms to treat insights
— not just data — as a business asset. Forrester's research into incumbents like Ford Motor, General Electric (GE),
and USAA as well as digital insurgents like Netflix and LinkedIn found that these leaders are fusing a new business
discipline with technology to create "systems of insight." This combination of people, process, and technology closes
the gap between insights and action. See the "Digital Insights Are The New Currency Of Business" Forrester report.

[3] Mobile is the manifestation of a much broader shift to new systems of engagement. These systems of engagement
help firms empower their customers, partners, and employees with context-aware apps and smart products. See the
"Mobile Is The New Face Of Engagement: An Executive Summary" Forrester report.

FOR CIOS

July 30, 2015 | Updated: August 6, 2015

Brief: Going Digital? Then Goodbye Suburban Sheetrock, And Hello Urban Exposed Brick
Services Firms' New Digital Studios, IoT Labs, And Insights Centers Provide CIOs With New Ways To Engage The Business On Digital

4 Internet-of-Things (IoT) systems will enable companies to use networks of sensors and controls to better compete for customers and to offer new levels of customer engagement. But developing and deploying smart, connected products and retrofitting existing equipment is very challenging, requiring coordination of network connectivity, application protocols, data analytics, and system management. To succeed, CIOs will turn to a new category of software: IoT platforms. IoT software platforms simplify the processes of developing, connecting, controlling, and capturing insight from connected products and assets, allowing firms to sense and respond to changing customer need. See the "Internet-Of-Things Software Platforms Simplify Transformation Of Business Operations" Forrester report.

5 The increased use and visibility of software outside of the four walls of the enterprise will require firms to fundamentally rethink how they develop and manage their digital assets. This is not your father's IT with a release every three years. "Five 9s" availability and reliability, five releases per year, and a high level of ease of use so constituents can figure out the app in less than a minute define the new world of business technology (BT). The old IT mindset needs to give way to a BT approach where firms act more like Internet-based, cloud-born independent software vendors. See the "Software Must Enrich Your Brand" Forrester report.

FORRESTER®

5

We work with business and technology leaders to develop customer-obsessed strategies that drive growth.

PRODUCTS AND SERVICES

› Core research and tools
› Data and analytics
› Peer collaboration
› Analyst engagement
› Consulting
› Events

Forrester's research and insights are tailored to your role and critical business initiatives.

ROLES WE SERVE

Marketing & Strategy Professionals	**Technology Management Professionals**	**Technology Industry Professionals**
CMO	› CIO	Analyst Relations
B2B Marketing	Application Development & Delivery	
B2C Marketing	Enterprise Architecture	
Customer Experience	Infrastructure & Operations	
Customer Insights	Security & Risk	
eBusiness & Channel Strategy	Sourcing & Vendor Management	

CLIENT SUPPORT

For information on hard-copy or electronic reprints, please contact Client Support at +1 866-367-7378, +1 617-613-5730, or clientsupport@forrester.com. We offer quantity discounts and special pricing for academic and nonprofit institutions.