

Be disruption-ready

Insights based on a global study
of over 600 business and IT leaders



Build
for
Change®

Your disruption-readiness toolkit has arrived

Only 9 percent of respondents are disruption-ready.

Less talk, more action

Brands like Amazon, Apple, and Netflix disrupted their respective industries, taking down behemoths like Borders, Tower Records, and Blockbuster who couldn't get out of their own way. These giants weren't ready for disruption – and it cost them dearly.

Without a doubt, you know the stories. And you've heard the buzz around the term 'disruption'. KPMG, Forrester, and EY have all built businesses around the idea. The media abounds with articles on the subject. Our competitors blog about it.

You don't need a definition and you don't need to hear the cautionary tales. What you need is an action plan. You need to understand how you can position your organization so that when disruption comes knocking, you're ready for it. And you need to know the steps to take today to be disruption-ready tomorrow.

Ready yourself

To ready yourself for disruption – from today's existing competitors or future rivals – we contend your organization must:

- Excel at customer engagement.
- Perfect operations.
- Embrace agility in all of its forms.

Exhibiting one or two of these characteristics isn't enough. To be disruption-ready – to be ready to compete with the Amazons, Ubers, and Southwests headed your way – you must master all three.

Pega recently surveyed over 600 business and IT leaders across industries and across the globe to find out who is disruption-ready (and who is not). The findings shine a startling light on where organizations are falling down, and how competitors could disrupt them by taking advantage of their weaknesses.

You probably aren't ready

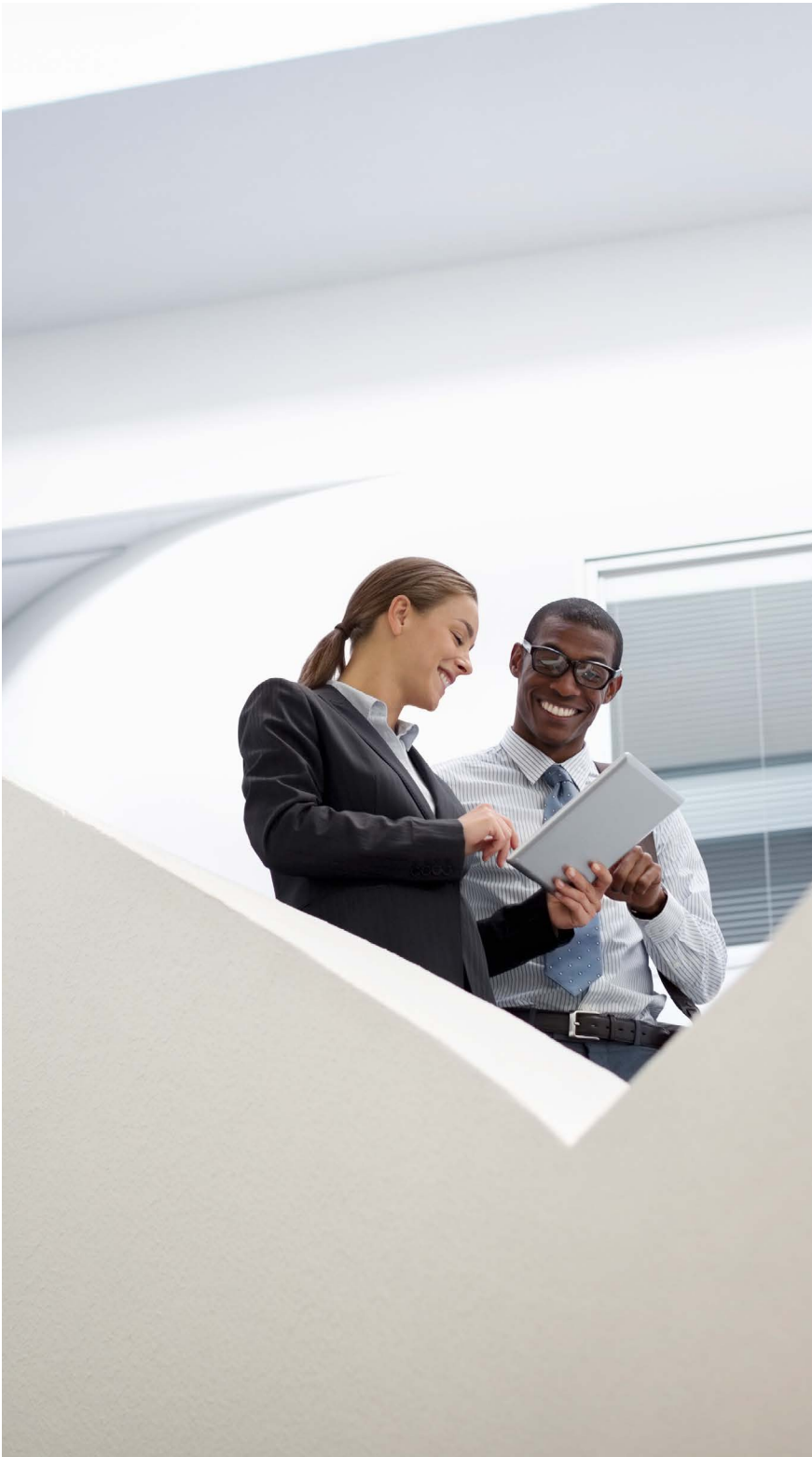
If you're anything like our survey respondents, you probably aren't ready for the disruption heading your way. Our survey found only 9 percent of respondents are disruption-ready, possessing a laser-focus on customer engagement, operations, and agility. Just 17 percent are making progress, exhibiting two out of the three characteristics. Finally, a whopping 74 percent are falling behind, with limited progress in any of the three areas identified as critical to surviving in this competitive landscape.

All is not lost

While our findings tell us the majority of organizations aren't ready for the disruption headed their way, they also point to a number of opportunities to get there. There are steps you can take today to be disruption-ready.

So let's do this.

An industry by industry look at disruption-readiness



Energy is more likely than any other industry to be using automation to improve sales.



Government is more likely than any other industry to be using automation in finance, legal, or human resources.



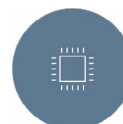
Financial Services is leading all industries in the use of artificial intelligence (AI).



Healthcare is leading all industries in driving customer engagement by understanding customer preferences through a unified view of the customer.



Hospitality is more likely than any other industry to be using automation for marketing.



Manufacturing/High Tech is more likely than any other industry to be leveraging the cloud or hybrid cloud.



Consulting is the least disruptive industry across the board.

Make customer engagement a priority

Close to 60 percent of respondents have improved self-service functions.

These days it seems you can't swing a stick without hitting an analyst or vendor extolling the virtues of customer engagement. Why all the fuss around customer engagement? According to a recent [report we did with Forbes Insights](#), leaders in customer engagement are:

- Four times more likely to experience growth of over 10 percent.
- Three times more likely to be in the top quartile of net promoter score (NPS).
- Three times more likely to see high acquisition rates.
- More likely to experience a churn of less than 10 percent.

Happy customers are loyal customers, and loyal customers are more likely to stay with you regardless of who comes knocking.

Key components of a successful customer engagement strategy include the basics, like a customer loyalty program and user-friendly self-service functions, to the highly complex, such as supporting omni-channel experiences, increasing real-time engagement using technologies like chatbots, and providing personalized offers using analytics. Not to mention artificial intelligence (AI), the hottest of the emerging technologies.

Easy wins are prime for the taking

Close to 60 percent of survey respondents have improved self-service functions, helping customers help themselves. Surprisingly, however, over 70 percent report not having a

customer loyalty program. That seems like low-hanging fruit, prime for picking. But here's the real opportunity: Only 29 percent of respondents are using AI to provide timely, relevant, and personalized offers to their customers.

AI breathes new life into customer engagement

Armed with advanced AI and data collected in real time from all kinds of digital inputs, organizations can now relate to customers on a whole new level to provide the best possible experience. We're talking about one-to-one engagement wherein an organization is fiercely aware of an individual customer's needs, and takes action based on this knowledge.

AI has, and will continue to, revolutionize how we work and serve customers. AI allows an organization to scale listening, and then proactively – and emphatically – respond in context. Having empathy builds trust and customers want to work with brands they trust.

If you get empathy right, you will see improvements to critical metrics like revenue, acquisition and retention rates, customer lifetime value, customer satisfaction scores, and net promoter scores.

Nearly 10 percent of respondents are doing nothing to drive customer engagement.

Front to back, and all around

Close to two-thirds of survey respondents are not using AI in any capacity within their organizations. If AI is in use, it is more likely to be utilized to support front office activities like customer service, marketing, and sales. There is a clear opportunity to push AI into the back office to improve operations and support services like finance, HR, and legal.

As expected, we found continued evidence that AI improves customer engagement, with improved customer satisfaction rising to the top of business outcomes reported by survey respondents. An often overlooked but potential business case for AI is its ability to extend the life of legacy systems. Decisions

can be made by using AI to pull insights from the data within siloed legacy systems. Finally, and perhaps most importantly, AI can also be utilized to increase revenue by uncovering and capitalizing on new business models.

One final, scary stat

Nearly 10 percent of survey respondents are doing nothing to drive customer engagement. Absolutely nothing. That's a frightening statistic. The worst offenders come from the consulting (29 percent) and energy (18 percent) industries. Customer engagement is not going away. In fact, it's ramping up. Wait too long and you'll be disrupted. No doubt about it.



If you're falling behind:

Next steps:

Put your customers first before they leave you

Your goal should be to proactively engage with a customer – across sales, service, and marketing – progressing the conversation in real time as the context changes. AI is the best tool to get you there.

Get started today

- **Develop a small, specific goal:** Think of one regular customer interaction that could be improved with the use of AI. Use this low-hanging fruit to refine your AI strategy and show a concrete example of AI's benefit to your organization.
- **Find your customer engagement champion:** Leaders in customer engagement have one executive accountable for customer experience and key customer KPIs. This ensures that new tech capabilities are also aligned with business goals.
- **Choose an AI vendor with experience:** Many vendors claim to have AI capabilities that improve customer engagement. Choose a vendor that presents proof they can provide the same level of service and support as they scale to millions of customer conversations, and across marketing, sales, and service interactions.

If you're leading the way:

Never stop never stopping

With the use of AI, you're providing your customers with what they need in the moment. You're also empowering your employees with the tools to provide the most relevant offers. Implementing a successful AI for customer engagement strategy is only the first step – the challenge is sustaining it.

Keep pushing the envelope

- **Tie customer engagement to business outcomes:** Leading companies see a successful customer engagement strategy not as a task, but as a means to a financial objective like increased revenue.
- **Make all employees customer facing:** Advances in AI and “no code” application development empower all employees to service, sell, and market to customers.
- **Empathize with customers:** AI will give you lots of insights into customer behavior, including the situational and environmental reasons behind decision-making. Use this information to relate to your customers on a more personal level and provide offers that solve their individual problems.

Get prepared for the future of work

One of the best ways to improve operations, regardless of industry, is to incorporate software robots in the way you get work done. We believe software robots – including chatbots, intelligent virtual assistants, robotic desktop automation (RDA), and robotic process automation (RPA) – will soon become commonplace across sales, service, and marketing desktops. And their application can and should be much broader.

Software robots save the day

There are the employee benefits, like improved productivity and satisfaction. There are the customer benefits, like increased satisfaction and loyalty. There are the general business benefits, such as increased revenue and decreased costs. And let us not forget the reduction in risk, like improved compliance and reduced human error.

UnitedHealthcare, a managed care company operating in the U.S., saved more than \$150 million with its recent robotic automation deployment. Not too shabby.

Automation, across the board

Not surprisingly, our survey found that organizations are more likely to use automation in operations (60 percent) and customer service (46 percent) than any other areas. Less than one-third of respondents are using automation in key areas like sales, marketing, finance, or legal. Every area of your business likely has processes that slow employees down and are ripe for automation.

Off to a great start

Survey respondents using automation reported improved outcomes in the areas of reducing costs (54 percent), reducing human errors (51 percent), and improving employee productivity and satisfaction (48 percent). And, just as we saw for AI, there's an opportunity for organizations to leverage automation to extend the life of legacy systems. If you can't afford a rip and replace, use automation to make your existing systems work harder – and smarter. And, for those in highly regulated industries like financial services, automation could be the way to stay compliant.

Plenty of opportunity to be had

Over 25 percent of respondents said they are not using automation for any purpose, with the consulting (24 percent), healthcare (23 percent), and energy (23 percent) industries being the least likely to have adopted automation to get work done. You're missing the boat. Please jump onboard.

47 percent of respondents reduced costs using automation.

If you're falling behind:

Next steps:

Without automation, you're missing out big time

Automation, applied correctly, accelerates outcomes, improves productivity, saves money, reduces risk, and enables organizations to scale quickly in response to spikes in volume – without the need for additional resources. Automation can also free your employees from mundane tasks so they can focus instead on engaging with customers, leading to increased satisfaction for all.

There's no time like the present

- **Learn the difference between attended and unattended automation:** Do you want to eliminate the need for a few full-time employees (FTEs) or reduce the overall workload of thousands of FTEs? Both have benefits and can be combined effectively.
- **Define your business goals and metrics for success:** Which use case is most applicable to your business? Are you looking to decrease average handle time or improve productivity? When you define your goal, selecting the right robot and the right vendor gets a lot easier.
- **Leverage different tools for different purposes:** Ask any potential vendor if they can provide both attended and unattended automation. The right vendor will steer you in a direction that meets your needs rather than fits in with their limitations.

If you're leading the way:

Now is not the time to slow down

You're already using automation to improve business processes and efficiency. Automation technologies continue to evolve and leading organizations see automation as an ongoing process.

Push automation further

- **Establish a Center of Excellence (COE):** You can't expand automation in a silo. Establish a COE where the various functions within your organization can come together to share best practices, establish governance, and develop metrics.
- **Remember "transformation":** Automation in itself isn't transformational. Rather than using robots to automate processes that touch multiple applications, consider if the process itself could be modified. Doing so could free up tactical bots to do other work.
- **Offer employees transparency in the role of bots:** Parts of your organization will likely be suspicious of robotic automation. Show them that bots are a part of the team, not competitors. Emphasize the positive impact that automation can have on customer interactions as well as the type of work they do.

Embrace agile across the board

40% of respondents embrace a culture of agility among employees.

Having business agility – in terms of the way your organization operates and the tools and techniques you use – is a critical aspect of being disruption-ready. At its most basic level, agility is about empowering (all of) your employees. Breaking down silos between departments. Enabling business and IT to collaborate. And arming them with the right technology.

Empowered employees lead to happier customers

A recent study by Pega and Frost & Sullivan found that business agility positively impacts key metrics – the highest impact being on overall customer satisfaction. And customer satisfaction is, in turn, highly correlated with profitability. Can you really afford not to be agile?

Agile tools and technologies are gaining momentum

Our survey discovered that just over 50 percent of respondents are using Agile software development technologies and tools like Scrum, DevOps, and Microservices. And another half are using the cloud or hybrid cloud to remain agile. Opportunities exist to incorporate solutions that provide better mobility for employees and customers, with only 32 percent reporting use of mobile tools and technologies.

A shockingly high 19 percent of survey respondents don't use any Agile methods or tools at all. The consulting (27 percent), hospitality (27 percent), and energy (23 percent) industries are the least likely to have adopted agile tools or technologies. These industries are prime for disruption.

Culturally significant findings

Our survey found organizations were making great progress in creating agile cultures and business models. Nearly half of respondents (48 percent) said employees are empowered to make decisions. In addition, around 40 percent said that silos in organizational structure and workflows had been removed, allowing them to pivot quickly. Another 40 percent said their organizations embrace a culture of agility among employees – including the “fail fast” mindset.

Only 24 percent reported having a highly adaptable go-to-market strategy – pointing to an opportunity for improvement. Another area ripe for progress is stronger business and IT partnerships, something dearly needed in today's competitive marketplace.

Flip it and reverse it

To our surprise, our survey found organizations are more likely to have mastered the “cultural” side of business agility than the “technical” side. With the hard work done, it's time for organizations to get moving and adopt the technology that will keep them competitive and disruption-ready.

If you're falling behind:

Next steps:

You're moving too slow

You have a lot of work to do to enable your organization to quickly adapt to market shifts. This means adopting not only the Agile methodology and its tools and related processes around software development, but also becoming more agile in terms of your organizational structure and culture.

Speed it up

- **Define the “why?”:** It's not enough to just “be faster” when you don't know where you're headed. Before jumping head-first into new processes or investing in new tools, be sure to understand how adopting an agile mindset benefits your organization.
- **Find evangelists:** The shift to business agility requires a shift in the organizational mindset, which isn't going to happen overnight. Start with one or two teams within your organization already familiar with Agile practices. As they achieve small victories, other groups will want to join in.
- **Hit the brakes on “rip and replace”:** Those maintenance-heavy legacy applications are probably slowing you down. But ripping and replacing is a costly proposition. Find a vendor that can wrap these backend systems in a layer that may be accessed and continuously renewed by a larger number of users.

If you're leading the way:

Don't stop now

Your organization is successfully using Agile processes and tools to strengthen business and IT partnerships. You promote a culture that encourages business agility, including independent decision-making and failing fast. But being agile means striving for continuous improvement. What sets leading companies apart is their ability to stay agile even as they grow.

Push agility further

- **Balance stability and dynamism:** According to a recent McKinsey study, the most agile organizations are also the most stable ones. As more units within your organization adopt Agile processes, it's essential that you house your applications on a stable platform that allows for quick change.
- **Explore new processes:** Consider software practices that go beyond the basic Agile development process. DevOps includes continuous delivery and deployment, in addition to continuous integration. These combined practices improve time-to-value for new applications.
- **Make everyone an app developer:** New visual tools enable almost anyone to develop business applications without coding skills. Empowering business users to collaborate with IT ensures objectives won't get lost in the coding shuffle, meaning better experiences and higher satisfaction for your customers.

Parting words

Disruption is coming and most organizations aren't ready for it. But it's not too late to turn things around. Within these pages, we've provided ways to improve customer engagement, operations, and business agility – whether you are just getting started or are well on your way. Get started today so you'll be disruption-ready tomorrow.

Pega thanks the 600+ business and IT leaders who took the time to participate in this survey.

Methodology: In November 2017, Pega surveyed 622 senior executives working globally in financial services, insurance, manufacturing, high tech, communications, media, public sector, healthcare, life sciences, energy and utilities, education, hospitality, entertainment, consulting, and professional services.





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We are Pegasystems, the leader in software for customer engagement and operational excellence. Our adaptive, cloud-architected software – built on the unified Pega® Platform – empowers people to rapidly deploy, and easily extend and change applications to meet strategic business needs. Over our 30-year history, we've delivered award-winning capabilities in CRM and BPM, powered by advanced artificial intelligence and robotic automation, to help the world's leading brands achieve breakthrough results.

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