CONFRONTING THE FRONT OFFICE TECHNOLOGY SKILLS SHORTAGE

Customer Intimacy Puts a Premium on IT Talent, Making It More Difficult to Sustain and Support Technology

Eagle Creek Software Services
Whitepaper

Confronting the Front Office Technology Skills Shortage

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This is the age of the customer. Companies are now focused on creating customer experiences that drive growth, loyalty, and advocacy. To do so, they are focused on front-office technology that spans sales, marketing, and service functions. They are capitalizing on new social, analytical, and cloud-based technologies as well.

But the issue executive leaders are starting to identify as they invest in customer-facing strategies and solutions is that their front office technologies may not be well supported and sustained. As they endeavor to bridge IT and the business, they are falling into a skills gap. Indeed, the expertise necessary to develop, refine, and manage these technologies is glaringly deficient. This situation requires companies to rethink where they stand with respect to talent.

"Digitized companies in the 21st century will have significantly smaller back rooms with more resources committed to growth and customer success"

General Electric CEO Jeffrey Immelt

The New Imperative: Front Office Innovation

Over the last two decades, corporations have made massive investments to wring out new operational efficiencies, particularly in the back office. The rewards of their efforts are reflected in increasing profitability and cash on hand. Companies have achieved these goals by aggressively focusing on cost reduction and containment.

But now there's a new imperative.

Enterprises are recognizing the next wave of growth must come through customer intimacy and front office innovation. They can no longer cut their way to success. Now the focus is on creating brands of distinction. The new challenge is to create singular and seamless customer experiences. The objective is to turn demanding buyers into fierce advocates.

General Electric CEO Jeffrey Immelt was way ahead of the curve when he argued years back, "Digitized companies in the 21st century will have significantly smaller back rooms with more resources committed to growth and customer success."[i]
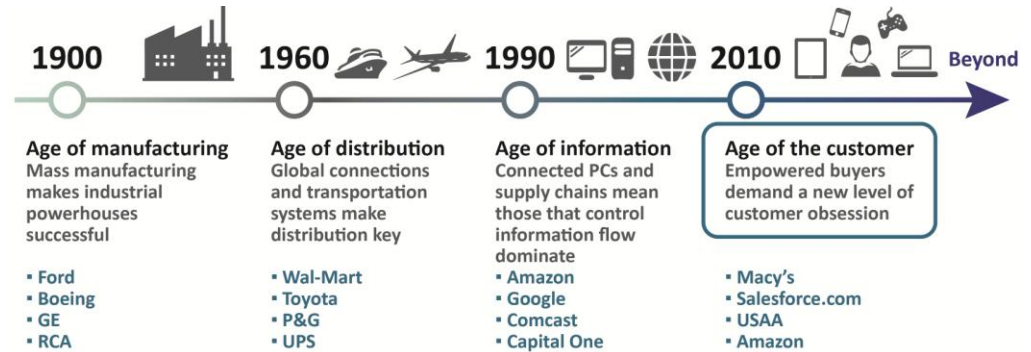
The front office is now the focus. It's about engaging buyers across channels and in increasingly personal ways. And this dynamic is creating demand for advances in customer-facing technologies.

Customer Facing Technologies

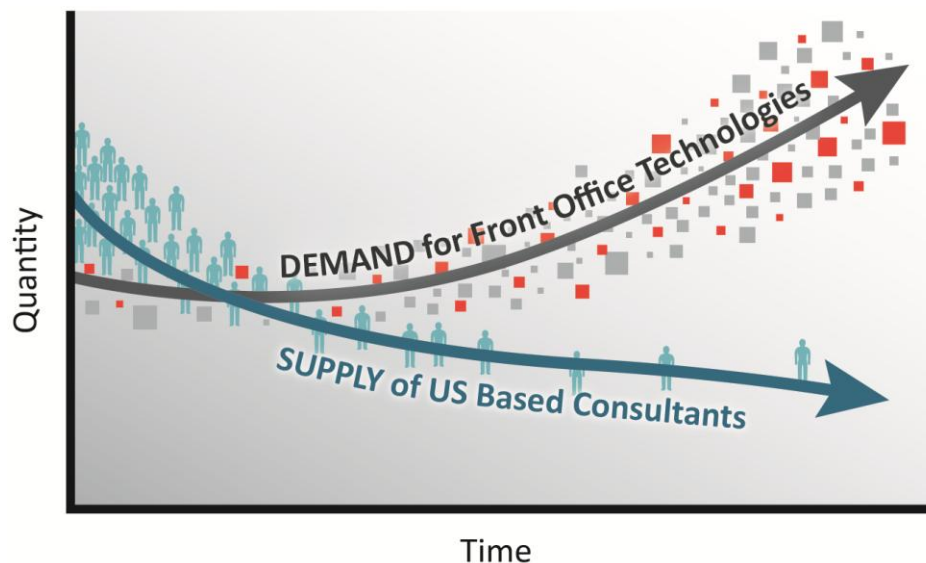Source: Forrester Research, Inc.

Plunging into a Skills Gap

To provide compelling and memorable experiences, companies must engage in systematic alignment with customer buying processes. They must make inventive and innovative uses of front office technology. In fact, we are now witnessing an era of technology abundance as new applications, services, and solutions are introduced at an accelerating rate. And, once they've been introduced, they must be sustained, supported, and scaled up to serve the enterprise.

However, the big challenge companies face is skill scarcity. Too often, they lack the talent necessary to address their imperatives. This trend will require some new and strategic thinking in terms of sourcing the expertise and capabilities now needed.

Companies are confronting a mismatch of supply and demand. Demand for front office technology expertise is vastly outstripping available supply. "Of 502 US employers, 93% indicated there is an overall skills gap (a difference between existing and desired skills levels) among their IT staff," according to CompTIA's State of the IT Skills Gap report.[ii]

> The big challenge companies face is skill scarcity

Demand vs Supply

What's behind this mismatch? Just consider the explosive growth of front office technologies. Gartner has identified 98 sub-domains of customer relationship management (CRM) technology. CustomerThink.com, meanwhile, cites 947 different companies providing marketing software, organized into 43 categories across six major classes.[iii]

Then consider the demographics of today's expertise. The baby boom generation is retiring, taking with it an enormous base of skills and experience built up in the IT boom of recent decades. But there aren't enough young people in the workforce to replace this generation or address key gaps. In fact, there's been a decline in the production of U.S. graduates capable of developing, applying, and maintaining today's advanced technologies — not to mention yesterday's legacy systems.

Companies are actively seeking new IT skills to address such innovations as cloud, mobility, social, and analytics. According to the CompTIA study, 80% of organizations have said their business has been affected by the skills gap. Some of the factors affected: staff productivity (41%), customer service/customer engagement (32%), security (31%), and speed to market (20%). [iv]

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What's Behind the Front Office Imperative?

These fundamental challenges have been compounded by a series of organizational drivers.

In the boardroom, there's growing emphasis on top-line growth activities. There's also pressure to adopt new technologies that are scalable, reliable, secure, and cost-effective.

At a functional level, IT groups are under pressure to respond more rapidly to the demands of their business lines. It's no longer enough to simply manage and maintain IT infrastructure. Now, the focus is on agility and innovation. That said, budgets remain tight – forcing IT organizations to determine how best to maximize their limited IT resources while maintaining high levels of uptime and quality.

Finally, at the departmental level, managers are exploring new IT sourcing options, whether they are contracting for on-site talent, seeking onshore support, or even going offshore. Whatever the mix, they have a difficult set of decisions and investments to make.

Managing Your IT Sourcing Portfolio

To succeed in this demanding and difficult environment, enterprises must manage their portfolio of IT sourcing options with increasing rigor and sophistication. Consider their possible options:

Recruit more employees. Such moves are important when initiatives require in-house oversight and management. But, as discussed, it's increasingly difficult to find the talent necessary to meet today's growing technology demands. Shrinking skill pools come up against rapidly changing demands for knowledge and experience.

Use more contracted consultants on-site. While companies retain some flexibility by using contractors instead of employees, the challenge of obtaining experts within a given geographical region remains acute. Nevertheless, this remains a necessary option as companies seek to flexibly obtain high valued talent on-site that may be difficult (or costly) to acquire on a full-time basis.

Expand offshore resources. Companies have actively off-shored projects over the past decade. In many ways, this was a sensible way to obtain expertise for predictable projects where requirements could be easily and clearly defined. It was also relatively inexpensive. However, increasingly demanding projects — paired with the growing costs and complexities of off-shoring — have made this option less attractive in many cases.

Expand onshore resources. While "onshore" implies higher costs than "offshore," emerging solutions represent opportunities to manage total cost of ownership in a superior fashion. Given the ascending value of agility, collaboration, and rapid turnaround, the benefits of having specialized talent available within close geographic proximity have become increasingly attractive on many fronts.

What's Constraining Employment and On-Site Consulting Investments?

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Labor constraints. As mentioned, labor shortages in high skilled and high demand professions further exacerbate this difficulty. As the mismatch between demand and supply on several fronts suggests, companies need options that give them on-demand access to new and constantly changing skill sets. And, given these constant changes, it's important to be flexible.

Demand constraints. Once new employees are hired, companies commit themselves to the capabilities that these employees bring. Strengths can become weaknesses as new trends in the marketplace create still other requirements and expectations – even as prior skills diminish in importance.

Management constraints. To obtain talent, there is the challenge of recruiting, managing, training, and retaining talent. Such demands should never be taken lightly. Companies must make greater investments in their employees than ever to ensure they achieve high performance.

Cost constraints. In the case of both employees and onsite consulting contractors, cost is certainly a consideration. This is related to labor constraints. Given the supply-demand mismatch, it can be extremely expensive to source an expert within a given geographic region.

While there will continue to be a critical IT core around which companies must have their own employees and on-site contractors, the pressure to remain agile and flexible means they will constantly need to rethink this mix in the years to come.

What's Constraining Offshore Investments?

While offshore investments were hot in the years after the post-millennium tech bust, several factors constrain offshore investments now. As discussed, companies face increasing Total Cost of Ownership (TCO) challenges as the costs and liabilities of off-shoring increase. Not only are costs impacted by high rates of inflation in overseas talent markets, human capital issues — particularly in relation to employee turnover and job hopping — are increasingly problematic.

But creeping expenses aren't the only factor diminishing enthusiasm with offshore strategies. Consider these issues as well:

Geographic and time-zone constraints. Time zone alignment is certainly a key factor for companies engaged in agile, collaborative, and iterative processes. In order to meet high demands and expectations in the fast-moving environment of front office technology, developers and IT professionals often must be in sync from a geographical perspective. Otherwise, they are unable to have meetings and share perspectives that are critical to getting the work done successfully.

Cultural and contextual constraints. This relates to the challenge of communication, language, work culture and shared flexibility. When personnel are culturally separated, the challenge of rapid iteration and knowledge exchange can be tremendous. It becomes difficult to rapidly learn and absorb critical concepts that are vital to a high-performance operation. And this factor can be exacerbated by a separation of time zones.

Compliance and security constraints. Yet another factor that deserves attention – particularly in the post-Sarbanes-Oxley era – is the issue of compliance and security. Companies need to know their data is safe and will be effectively governed. This factor can constrain them from putting sensitive operations offshore where they cannot be as securely managed as they might be onshore.

Companies have made significant commitments to offshoring in past years and, for some, it will continue to have its place in the portfolio. But, as recognized, this is likely to be in areas that are clearly defined and delineated, particularly back office functions.

What's Driving Onshore Investments?

While employee hiring, on-site contracting, and offshoring each may be diminishing in relative terms, several driving forces are creating increased interest in onshoring as part of the overall mix. Among the reasons for taking onshore investments more seriously:

- Superior TCO.
- Advanced talent.
- Agile development.
- Responsive support.
- Contextual and time zone alignment.

While cost alone may have gotten tremendous attention a decade ago, now companies realize that TCO counts the most. There are many factors to consider, apart from costs quoted upfront in order to attract potential clients. Onshoring offers the option of containing TCO without the hidden expenses often encountered by offshoring complex IT projects.

So let's consider the other drivers of onshore investments.

One is simply the "convergence of forces" recognized by analysts such as Gartner. These forces – social, mobile, cloud, and business intelligence – put pressure on companies to remain innovative, agile, and responsive to demanding customers.

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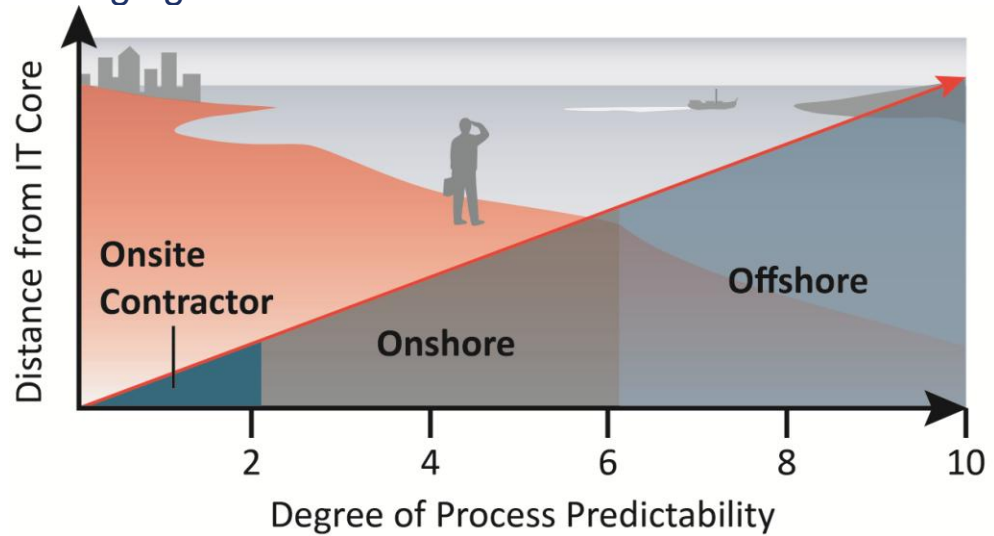
Against this backdrop, onshore providers provide a fast and flexible support solution -- an opportunity to rapidly fill a skills gap that's emerged in the wake of today's technological innovations and escalating market and customer demands.
Indeed, the recognition that onshore represents a valuable and distinct option within a portfolio of sourcing options is itself a market driver.

While certain core IT activities may require in-house or on-site support, other activities lend themselves to delegation — whether it's with an onshore or offshore provider. In such cases, offshore may make sense when activities are predictable and easily governed, which is often the case with back office functions. Onshore support makes more sense when activities are less predictable, require more advanced skills, and are likely to involve more collaboration across organizational boundaries.

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Managing Distant Resources

The more predictable and the more process driven the IT activity, the more it lends itself to offshore sourcing. In fact, back office applications and processes of many kinds lend themselves to waterfall development based on clearly and fully defined requirements. By contrast, the closer to the customer a business must become, the more critical it is to engage in agile development approaches and obtain responsive IT support.

Development: Waterfall vs Agile

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When developing interfaces that touch customers and deeply influence their experience, for instance, it's critical to have an iterative and evolutionary approach that lends itself to continuous testing, feedback, and learning. This is the case with today's rapidly advancing front office technologies. That's why companies are increasingly turning to onshore providers to support them in the development, sustainment, and support of these customer-facing technology solutions.

Next: Optimizing to Overcome the Skills Crunch

In this customer era, business is advancing at an accelerating pace. Competition is intensifying and customer demands are rising to new levels as digital technology transforms the landscape. This is an era in which companies must devote increasing time and attention to the customer experience. They must eliminate friction in the buying process and ensure seamlessness across all channels.

Customer intimacy implies the creation of singular experiences that are powerful, personal, and memorable. As technology investments increase and amplify expectations, companies must rethink their portfolio of sourcing options. They must move to ensure the right capabilities are matched to the right opportunities and objectives.

To move beyond today's skills crunch, they'll have to optimize the mix of skills and capabilities available to them. Relying on employees, on-site contractors, offshore providers, and onshore providers to meet escalating customer demands, they must remain highly adaptive and deeply responsive.

About Eagle Creek Software Services

Eagle Creek Software Services provides consulting and technical expertise to the Enterprise. The firm focuses on CRM, Information Management (BI) and Applications Development, helping clients increase quality and efficiencies while managing price and risk in software development, deployment, & support.

With over 300 consultants, Eagle Creek Software Services is the largest U.S. based onshore software services company. Eagle Creek is uniquely positioned by combining on site expertise with U.S.-based Technology Centers. The onshore delivery model allows Eagle Creek to achieve consistency, scalability and sustainability in the provisioning of technical and consulting capabilities.

Eagle Creek has expertise in a multitude of industries, and has the experience and know-how to implement, upgrade and maintain enterprise-grade front office technologies, applications and platforms.

For more information on Eagle Creek visit, http://www.eaglecrk.com/

[ii] Manasco, Britton, *The New Face of Front Office Outsourcing*, CRM Project.com, 2006.
[ii] *The State of the IT Skills Gap*, CompTIA, 2012.
[iii] *The Marketing Technology Supergraphic*, CustomerThink.com, 2014.
[iv] *The State of the IT Skills Gap*, CompTIA, 2012.