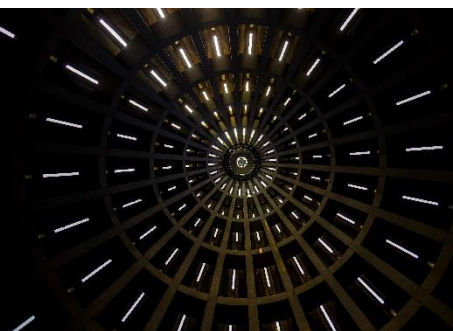


DIGITAL BUSINESS QUARTERLY<sup>SM</sup>

# Innovation and Transformation Centers Market Landscape



  
**TBR**  
TECHNOLOGY BUSINESS RESEARCH, INC.

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## Overview of TBR's *Innovation and Transformation Centers Market Landscape*

Over the last 10 years, every vendor in the consulting, IT services and broader technology space has opened a physical center dedicated to working with clients on their digital transformation initiatives and collaborating on innovation of products, processes or business models. TBR has visited at least one of nearly every vendor's centers, from nine-floor buildings in India to one-room product showcases in Texas. Among the common themes, three of the most persistent have been around people, clients and partners. Vendors have also wrestled with the best approaches to technology partners' presence on-site, focusing on one industry or many, using an existing office or a newly established separate location, and managing intellectual property. The most common unknown: how to measure success.

While disparities persist on how best to establish, run and monetize these centers, the common themes and challenges present an opportunity for vendors to examine which elements within a partner's or peer's center have contributed to what remains the common goal: retaining clients and expanding opportunities (and footprint) with them.

TBR's semiannual *Innovation and Transformation Centers Market Landscape* will feature our assessment of the vendors' centers, as well as long-term trends expected to impact which areas vendors invest in and how these centers will evolve. While providing a snapshot of current realities, the *Innovation and Transformation Centers Market Landscape* will be a forward-looking report, designed to inform decision making and help readers anticipate the evolution of these centers over the next 10 years.



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## Taxonomy

# TBR's Innovation and Transformation Centers Taxonomy

Consultancies, IT services vendors, cloud and software providers, and hardware and connectivity vendors have established physical centers designed to showcase their offerings and collaborate with clients on digital transformation engagements and innovations to clients' business models. TBR sees the elements listed on the right as common across most centers.

As these centers evolve, TBR will adjust the taxonomy according to feedback from our clients, vendors' clients, and TBR's own experiences attending sessions at these centers.



**Staffing and Operations:** Headcount, roles, rotational assignments, leadership and investment

**Location and Footprint:** Number of centers, physical size and configuration, and proximity to other offices and delivery centers



**Client Journey:** Client selection, pre-visit preparation, on-site engagement, post-visit management and sales opportunities



**Intellectual Property:** Codevelopment with clients and technology partners, and IP developed to facilitate centers' operations

**Industry:** Specific vertical focus, or industry agnostic

**Technology Partners:** Cobranded centers, colocated centers, joint go-to-market strategies and shared on-site engagements



**Internal Uses:** Recruiting and retaining talent, training, and professional development specifically connected to centers' operations

**Ecosystem:** Startup communities, academia, nonprofits and community groups, and industry-centric organizations



**Measures of Success:** Pull-through revenue, expanded footprint per client, on-site engagements per year, and impact on talent

## Every lesson learned in 2020 needed to evolve by the end of 2021

Elite vendors spent 2020 and early 2021 refining their virtual deliveries, and by the second half of 2021 clear distinctions emerged between the vendors that lean toward returning to in-person engagements and vendors that expect to make all-virtual or some-hybrid their operating model post pandemic.



Leading vendors continually refined their approaches, seeking client feedback not only on engagements and outcomes but also on expectations in a post-pandemic world. While some clients told TBR they did not anticipate returning to in-person innovation engagements, the majority of clients expressed an appreciation for the limits imposed by all-virtual sessions. The leading vendors **have already reopened their centers and begun learning new ways to make innovation and digital transformation sessions relevant, based on lessons learned from the past year.**



Opening new centers required overcoming internal resistance to **investments in physical spaces** concurrent with real estate footprint reductions across the larger company or firm. Leading vendors had already convinced their leadership on the value of these centers, making new openings a relatively easy decision.



By the end of 2021, leading vendors recognized that explicit, orchestrated, even branded partnerships between services and **technology vendors should be fully incorporated at innovation and transformation centers.** Vendors should avoid downplaying hyperscalers' presence and elevate smaller vendors, such as those in analytics, robotic process automation and supply chain software. In addition, vendors need to ensure clients benefit from the ecosystem while they are on-site, not after.

## Centers will become industry focused in the future, embodying everything a vendor does



Industry-focused centers — with expertise and offerings tuned to a specific industry or intentionally located in an industry and client cluster — will be established in 2021 and 2022 as vendors position amid the shift toward industry clouds and leverage their industry expertise to address client demand for an industry-specific immersive experience.

- ✓ As anticipated at the end of 2020, vendors will invest in new innovation and transformation centers physically located in industry-specific areas to create a larger ecosystem approach and increase opportunities to more rapidly test solutions in live or semi-live environments.
- ✓ Influenced by new partnering activities of technology partners like Microsoft and SAP, vendors will develop new centers explicitly dedicated to coinvestment and cobranding with hardware and software partners.
- ✓ Driven by clients' needs to accelerate digital transformations, vendors will bring clients through the centers repeatedly for the same business problem, using the centers at every stage from design through piloting and scaling. Centers will evolve from focusing mostly on business development and cocreation to being an integral part of a vendor's solution delivery.
- ✓ Many enterprises that previously shied away from developing their own innovation and transformation centers will be encouraged, and potentially frightened, by the accelerated pace of change amid the pandemic and seek vendors' expertise in developing, staffing and getting value from their own centers. Leading vendors will pivot from setting up small versions of their own centers on clients' sites to helping clients build centers for themselves, including training their resources and building their innovation teams.

*The center is a physical place but needs to embody everything the vendor does*

*In TBR's view, a key feature in the next transformation center evolution will be vendors operating their centers beyond cocreation and business development. Vendors will embed the centers — including the staff, methodology and technology — in the broader transformation engagement, especially at project delivery milestones. A typical center session will evolve from a one- to two-day event on-site, and instead of having a center engagement focused on finding a solution to a business problem and even testing some products and ideas, vendors will create sustained engagements, with the first session only one in a series of deliberate re-engagements at the physical center, marking and celebrating transformation milestones and recalibrating for the next step in the project. From serving as showcases for all of a vendor's offerings, cocreation centers to unlock client creativity, and innovation hubs to imagine the art of the possible, these centers will evolve to embed everything a vendor offers — becoming part of the delivery, not simply facilitating a business development handoff to another team. Leading vendors will find ways to accelerate this evolution by expanding center staff, partnering with technology vendors, and creatively keeping clients on-site longer.*

## The physical footprint evolves and will eventually eclipse hybrid



### Staffing, Operations, Locations and Footprint

Physical footprint impacts talent, client experience, even brand.

As we outlined in the *June 2021 Innovation and Transformation Centers Market Landscape*, the three reasons we believe innovation and transformation centers' physical location and construction will continue to be important success criteria, even in a virtual age, remain true heading into 2022.

- First, talent drawn to this kind of innovative, agile and technology-infused activity will want to work in person and in a nonstandard environment (of course, the standard office of 2019 may not fully return, ever). Vendors vying for the best talent will need creative spaces.
- Second, the physical locations provide clients and partners with a clear indication of a vendor's commitment to the city or region, the industry, and/or the technology and innovation ecosystem, including startups, universities and clients with their own innovation centers. EY's decision to build a wavespace in Cleveland reflects all those aspects. TBR anticipates newly opened centers in 2022 will be similarly physically located to optimize ecosystem, and likely industry-specific, advantages. And look for more new centers in cities like Cleveland — top tier, but not East Coast or traditional technology centers.
- Third, after the pandemic abates, clients will want to visit these centers in person, provided the experience continues to be enhanced by the physical location and the on-site amenities complement innovation and transformation. Will clients travel post-pandemic to a creative space dedicated to change? Yes. Will they travel to a conference room in a Dallas suburb? No.

## Clients expect innovation comes with implementation, and quickly



### Client Journey

Clients know vendors have years of experience delivering on innovation and transformation and expect vendors to set realistic timelines upfront.

In early 2021, we noted that changed client expectations and the emphasis on clear-sighted timelines reflect a natural evolution of these centers and the value delivered within them. The first dozen clients in a center experienced something new, with unknown limits and challenges around changing. Hundreds of engagements later, the clients expect more rapid results, or at least more honesty about the known obstacles and the expected investment needed to get to change. Throughout the year, TBR spoke with clients attending virtual sessions and some who had returned for in-person engagements, and every discussion reinforced our assessment that clients want tangible results and expect vendors to deliver. Professionals tasked with meeting these expectations have also echoed those sentiments, particularly with respect to how ideas explored at an off-site center can be rapidly deployed on-site within the client's home environment. More than any other time since TBR began examining these spaces, clients have little appetite for innovation even slightly separate from implementation.

Notably, some clients expressed reservations about returning to in-person engagements based on their company's sustainability goals and the carbon emissions tied to flying the C-Suite, other executives and supporting staff to off-site locations, particularly out of their home region. In 2022 vendors must address this aspect of the client journey.

*"[Bringing a client into an innovation and transformation center] will really depend on what your relationship with the client is. Where you are with the client, the sort of impression you're trying to make, the level of trust you've got with the client. Because I can see these being useful for early stages, maybe I'm just building a relationship, and the clients got a perceived perception of me and my firm and what we do. **So they give me a problem that they're working on, give us two weeks to start to shape some thinking on it, no charge to the client come to our center, see us in action, what we really do. I can say that works. And then I've also used that toward the back end of the sales cycle, where you want to bring to life what you're proposing for the client. That can be key, let's get out of this space. Let's open up, let's go somewhere else. We've got all this fantastic gear and whiteboards and stuff, and we'll make it real.**"*  
— Former Big Four partner with experience in Europe and the U.S.



## Top talent wants the best place to continue upskilling; these centers can be that space



### Internal Uses and Ecosystems

Recruiting and training talent in these centers will be a key to battling ecosystem wide attrition challenges

Almost across the board, IT services vendors and consultancies have struggled of late to retain talent, with defectors going to boutiques, technology vendors and clients. While not a new phenomenon, attrition spiked for nearly every vendor in 2021. To keep their best people, many firms have turned to nonfinancial approaches, such as investing more in training. As employees resume in-office work, firms' innovation and transformation centers could be perfect settings for upskilling around emerging technologies and ensuring the broadest cross-section of a vendor's professionals understand the full breadth of the vendor's capabilities. In discussions with decision makers involved with these centers, vendors have shifted away from reserving the spaces almost entirely for client-facing engagements. In TBR's view, vendors must find a way to incorporate the centers for internal uses, especially as attrition rates return to more typical levels. Consultants no longer enjoying the side benefits of the consulting life — travel, dinners with clients, frequently changing projects and clients — will look for other reasons to return to the office and engage in person. These centers have been talent magnets in the past and will be critical to talent retention over the near term.

## Every client wants their industry understood and the technology vendors on-site



### Intellectual Property, Industry-alignment and Technology Partners

Accelerated cloud adoption during the pandemic and a shift toward industry clouds influenced IT services vendors' and consultancies' strategies. Clients want these centers to pull together industry and technology, consistently and in every engagement.

TBR anticipates two trends for 2022: Centers will feature technology partners on-site, even cobranded with the lead IT services vendor or consultancy; and, vendors will locate centers strategically to serve a specific industry.

- IT services vendors and consultancies emphasized technology agnosticism and the ability to work with all technology players during the early evolutions of these centers. That approach served the overall strategies of these vendors and protected their substantial investments from being diluted by mixed messages about innovation, digital transformation and technology. Clients, in contrast, wanted their technology partners on-site, participating in art-of-the-possible digital discussions with a grounded understanding of the client's legacy systems. Accenture and Atos stand out for moving more quickly than peers to adjust, and now the rest of the field understands technology partners must be fully enmeshed in these centers — not for every engagement or every discussion, and certainly not as locked-in options, but as an on-site, available presence that demonstrates to clients the closeness of the consultancy and the technology vendor.
- Similarly, these centers initially operated as designed for any industry, located in economic and technology hubs and running engagements with any client. As vendors learned what kinds of engagements succeeded and failed, common factors emerged around industry expertise. Clients expected this expertise but also wanted lessons from outside their industry. The pandemic-forced virtual deployment of industry SMEs from anywhere — and at any time and more often — refined vendors' capabilities to deliver industry-specific solutions. Going into 2022, as epitomized by EY in Cleveland but also reflected by other vendors in automotive cities like Stuttgart and Munich, Germany, vendors will locate new industry-specific centers in geographic hubs with clients concentrated in one industry.

*“In particular, if you’ve got someone in an industry that feels like they’re the laggard, and they want to see what everybody else is doing ... or the way they set up, it’s very easy to inject industry-specific content, people solutions, so you can kind of adapt [suggested solutions] fairly.” — Former Big Four partner*

## PwC's Experience Centers set the bar for what all vendor centers should be; continual evolution ensures PwC maintains elite status

PwC's Experience Centers (ECs) have been among the most successful and influential innovation and transformation centers, starting with the company's flagship in Hallandale, Fla., and expanding to its center in Dubai, United Arab Emirates (UAE), which opened in October 2020. In addition to investing smartly in talent, the client journey and partnerships, PwC's centers have been at the forefront of influencing the internal evolution of the firm as whole, spearheading the Business Experience Technology (BXT) approach and providing a platform for evangelists within the firm to press for sustained change in an industry — consulting — that had become stale. TBR believes PwC's continued evolution will include a new emphasis on PwC Products within the ECs.

### Staffing, Operations, Locations and Footprint



At the height of the pandemic, PwC opened a new Experience Center in Dubai, UAE, signaling the firm's commitment to physical centers. PwC used the Dubai EC to host weekly and then bimonthly webcasts featuring the firm's economist for the Middle East and other guests discussing COVID-19 and economic developments in the region. As a physical space, based on a virtual tour provided to TBR, the Dubai EC resembles the firm's centers in Frankfurt, Germany; Tokyo; and New York City — a creative extension of the firm's offices with staff dedicated to EC engagements. The Hallandale EC demonstrated the possibilities of a fully tricked-out stand-alone environment, and the New York City EC showed creativity confined within PwC's Manhattan office tower.

### Client Journey



By constantly refining how the firm prepares clients for EC sessions, PwC has improved the client experience and enhanced the benefits to PwC. While almost all engagements at ECs last one to two days, PwC has experimented with allowing clients to leave their own staff on-site at an EC, not only to advance pilot projects or minimum viable products but also to interact with other PwC clients to gain cross-industry insights. Critically, the BXT approach helps clients develop and deploy solutions more quickly, thereby accelerating overall transformation.

# Shifting to products will impact PwC's Experience Centers, continuing the firm's experimentation and evolution

## Internal Uses and Ecosystems



PwC has been experimenting intermittently with using the ECs for events other than client engagements, including analyst summits, onboarding training and, most notably, long-term contracts with clients dedicating personnel to work within the ECs. This last arrangement presages the firm using the centers to broaden its ecosystem beyond clients and technology partners, to include universities, startups, nongovernmental organizations and industry groups. During the pandemic, PwC continued expanding the network of ecosystem players virtually participating in the ECs, and TBR expects that pace to accelerate as in-person sessions resume.

## Measures of Success



PwC has used various metrics since opening its first EC in Miami and continues to develop new ways to demonstrate the impact on the firm's overall business. More than any other vendor TBR is aware of, PwC also measures the internal impacts on its people and culture as a whole. Notably, other consultancies have begun mimicking PwC's approach, reinforcing TBR's assertion that PwC's ECs remain an influence on the consulting market.

## Intellectual Property, Industry Alignment and Technology Partners



In the first few years operating the ECs, PwC maintained a relatively vendor-agnostic approach to its technology vendors. After clients balked at seeing their imagined transformations stalled by inadequate installed infrastructures, PwC shifted to embrace its technology partners, such as Microsoft and SAP, as critical members of the engagement teams.

Among the consultancies, PwC's centers stood out in part because of the firm's wide-ranging industry capabilities and expertise at each center, even as some, such as the one in Frankfurt, catered explicitly to specific kinds of clients.

As PwC pivots to products, TBR anticipates the ECs will also become a sales platform for the firm's software and platform solutions.

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Technology Business Research, Inc. is a leading independent market, competitive and strategic intelligence firm specializing in the business and financial analyses of hardware, software, professional services, and telecom vendors and operators.

Serving a global clientele, TBR provides timely and actionable market research and business intelligence in formats that are tailored to clients' needs. Our analysts are available to address client-specific issues further or information needs on an inquiry or proprietary consulting basis.

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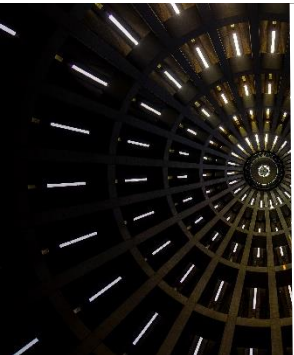
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