

Readying for Recovery: A Pragmatic Approach to Organisational Change

Controlling costs and rethinking business processes for future success

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EXECUTIVE SUMMARY

European organisations are operating in dynamic and demanding business environments that are changing fast. Decision makers are simultaneously seeking to cut costs, maximise efficiencies and prepare for growth as they move into a new era following on from the global financial crisis. To achieve these goals, Datamonitor proposes that organisations adopt a pragmatic approach to the various external and internal changes they face, in order to yield real-world financial results today and be positioned for growth in the future.

This means that organisations must rethink core business processes in order to adapt to and thrive from the current macro- and microeconomic conditions. They must realign their operations in order to accommodate these changes and tackle issues that are common across various industry sectors.

The role of technology innovation in supporting this pragmatic approach to organisational change should not be overlooked. Technology integration and scalability, remote delivery, managed services and the management of data records should feature prominently in any successful operational strategy.

In order to be positioned for growth once the economic recovery takes hold, organisations should take a pragmatic approach to operational change via agile and cost-effective IT systems and business processes, rather than embarking on a 'forklift' upgrade. This will be achieved by assessing and measuring current systems and being aware of how changes can impact them. Specifically, by:

- ensuring any new investments in technology can integrate seamlessly with systems already in place;
- personalising the use of technology to maximise end-user benefit; and
- automating as much of the IT upgrade and maintenance work as possible to free up the time of IT staff. Reducing users' downtime will also focus more time on core revenue-generating or service-delivery aspects of their roles.

ORGANISATIONS ARE ADAPTING TO A CHANGING BUSINESS ENVIRONMENT

European business environments are in a continuous state of change, propelled by shifting macroeconomic and microeconomic conditions. Faced with various external and internal factors that act as a trigger for change, organisations that are adaptable and that can exploit future changes can thrive. These factors, which have a direct impact on organisational strategy, can influence the establishment of agile operations and business processes.

External factors are affecting change within organisations

The most demonstrative organisational changes are currently being facilitated by external factors. Among others, these include:

- **Globalised competition** – The growing importance of emerging markets are changing competitive and operational strategies. New types of competitors, often with novel cost structures, are changing sector dynamics. In many industries, this has resulted in the rise of lower-cost outsourcing strategies, which have strengthened the competitive positioning of numerous organisations.
- **Increasing business regulations** – In addition to new regulations, there has been increased regulatory scrutiny in recent years, in the wake of the exposure of several high-profile accounting and investment schemes. Adhering to regulations is becoming an increasing burden as more industries become globalised and companies must comply with various policies in different countries and regions in which they operate.
- **Increased customer choice** – While there may have been an increase in merger and acquisition activities during the past few years, there remains an intense level of competition across most industries. As such, end users have a vast array of choice. The concept of customer loyalty is fading fast as it is relatively easy for dissatisfied customers to switch to a new provider.
- **Government policy** – Organisations must keep up-to-date with various national and local government policies, including those pertaining to taxation, carbon emissions, fair trade, and workers compensation, to name a few. These policies are varied, complex, and in a continual state of flux.

Internal factors are also at play

Largely as a result of these external factors, several internal trends are also spurring organisational change:

- **New business policies** – The global downturn of recent quarters has yielded new business policies, such as more comprehensive cost reviews and controls, and organisational restructuring.
- **Management philosophies** – In response to macroeconomic conditions, management has generally become more focused on short- to mid-term goals. The overarching philosophy has been to remain operationally lean during the downturn, while simultaneously readying for growth in the mid- to long-term future.
- **Focus on core competencies** – Organisations are increasingly identifying what they do best and focusing on core competencies. This has resulted in the deployment of more managed and outsourcing services.
- **Collaborative working** – Various trends have contributed to the widening proliferation of collaborative working, including the changing demographic structure of the workforce and the rising importance of knowledge workers. Also, the success of social networks, such as LinkedIn or Facebook, wiki knowledge repositories, such as Wikipedia, and persistent

messaging platforms, such as Twitter, has awakened many organisations' decision makers to the benefits of collaborative solutions, particularly unified communications and documentation collaboration.

- **Flexible working** – While most workers remain office bound, there has been a rise in various types of flexible worker scenarios. Datamonitor research shows more and more of the workforce is now based away from the head office and a growing proportion is becoming more mobile. Organisations must cater for remote employees in corporate and IT strategies. Increasingly, the expectation is that employees will be able to work remotely in some capacity and, eventually, be able to roam while remaining connected using any type of device.

A commonality of issues exists across core sectors

Broader economic conditions have created a commonality in business agendas across core sectors. For example, lower demand for products and services in various industries, as a result of the global recession, has pushed cost controls to the forefront of most organisations' business plans. However, several other important issues also play an important role in influencing the decision-making process:

Operational and job functions are consolidating

Many organisations are experiencing a consolidation of business or departmental units, often as the result of mergers and acquisitions, operational streamlining, or other cost control measures. Similarly, many job functions have become consolidated as organisations reduce employee head counts. As part of this restructuring, many are also moving away from the typical product-based, siloed operational structure to become more process-driven and customer-facing organisations.

Regulatory compliance pressures are set to increase

The ever increasing need to achieve regulatory compliance and avoid litigation risk is an ongoing concern in heavily regulated vertical markets such as financial services, the public sector, and healthcare. Datamonitor believes that the pressure for greater regulation and control will likely increase now that many systemic deficiencies have been brought to the fore by recent events in the global financial services industry.

'Green' agendas remain relevant

Environmental concerns remain an ongoing concern for organisations across all industries, particularly mid- to large-sized enterprises and the public sector. Even organisations that are the most exposed to adverse trends within the broader economy recognise the strategic importance of a green business agenda.

Two prominent drivers of corporate and social responsibility (CSR) agendas are compulsory compliance requirements with environmental legislation and the cost benefits of green IT and processes. Green business agendas include reducing departmental carbon emissions, improving the sustainability of computer systems, lowering waste and increasing recycling, lowering energy consumption, and investigating renewable sources of energy.

Organisations are striving to improve operations in a cost-effective way

Many organisations across the globe and from various sectors face rising costs, curtailed income or a combination of the two. Organisations are focusing on new business processes that enable more effective working environments and more cost-effective operations.

For example, many governments across Europe have encouraged a renewed focus on efficiency, as they deal with reduced taxation income and/or having to implement budget cuts to deal with increased public debt. As a result, public sector organisations are turning to technology solutions that enable them to do 'more with less'. Technologies that facilitate better cost control and measurement, as well as enable greater business efficiencies are currently of particular interest. It is also worth pointing out that key to the success of new technology deployments are integration, flexibility and scalability, which are detailed in more depth in this paper.

Data security and governance are key organisational issues

Data security and governance issues are high on the agenda as organisations scrutinise their business processes. As the complexity of security and regulatory issues increases, so too does the risk of security breaches and non-compliance.

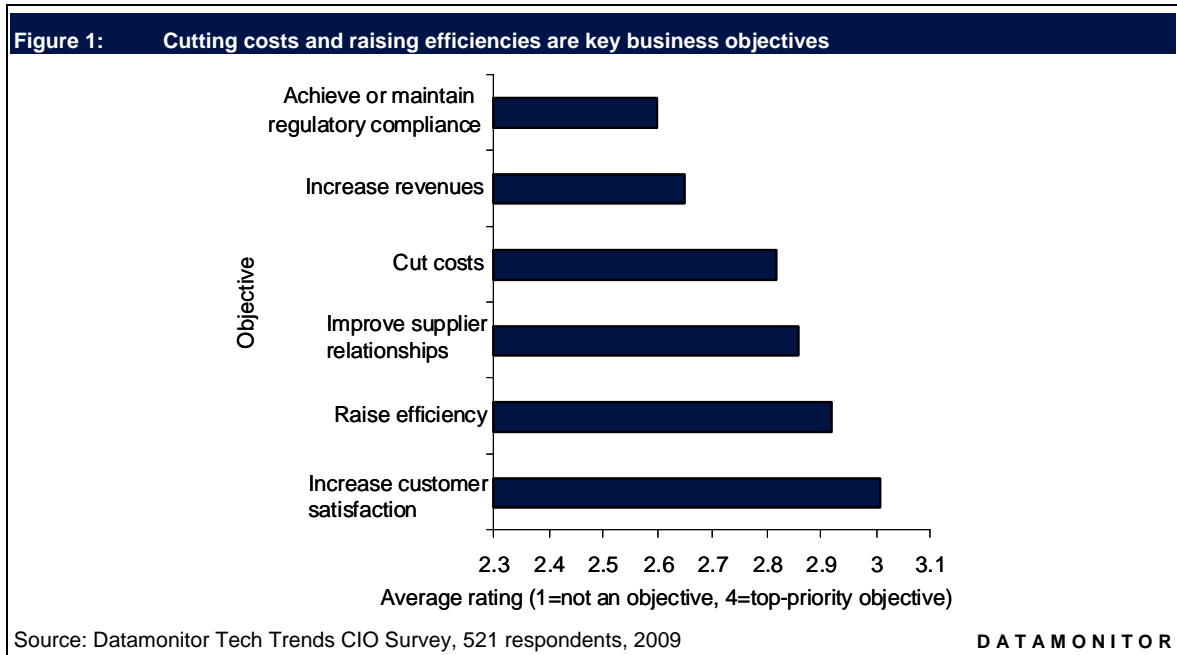
For example, compliance with new government regulations has spurred greater transparency of operational transactions in various sectors including financial services, banking, healthcare, and pharmaceuticals. Violators of compliance regulations across several industries have suffered huge monetary losses in the form of lawsuits, fines, and decreased sales due to recalls and withdrawals. As a result, documenting processes, managing compliance, and ensuring adherence to complex government rules are pressing organisational issues.

In all sectors, the increasing risk of identity and security threats has spurred tremendous concern over data security and governance, and fraud prevention. These are equally pressing concerns among organisations in both the public and private sectors. Organisations are responding by implementing device and document security technologies and practices, as well as data protection in the form of encryption and authentication technologies.

Strong authentication technologies, which are defined as anything beyond password-based authentication, greatly reduce the levels of risk within any organisation. While the cost and complexity of many strong authentication technologies has historically confined them to areas where very high security is required, Datamonitor recommends organisations, especially those that frequently handle secure data, reconsider their usage. Technologies such as one-time pass tokens and smart cards, for example, are becoming less cost prohibitive. Also, online authentication methods, including behavioural authentication, soft-tokens and mobile phone authentication, bypass the need to send a card reader or token to the end user. Datamonitor predicts the future proliferation of flexible authentication solutions that vary the level of authentication according to the level of risk in a given task. These types of solutions are already being implemented in the online banking sector, and will continue to spread throughout organisations' processes and transactions.

Cutting costs and raising efficiencies are core business objectives

In addition to organisations across various sectors sharing common business issues, there is also currently a consensus in terms of core business objectives. According to Datamonitor's most recent Tech Trends survey, that asked IT decision makers to rate the importance of general business objectives, organisations are not necessarily focused on increasing revenues at this point in time. Instead, they are placing greater emphasis on raising efficiencies, improving supplier relationships and cutting their costs. It is worth noting that Datamonitor's research suggests that the objective of improving supplier relationships has increased in importance for organisations in 2009 in comparison to previous years.



Interestingly, the top priority for decision makers at present is increasing customer satisfaction. Organisations are clearly seeking to retain and attract new customers. However, in the same survey, the vast majority of IT decision makers state that they expect their IT budgets to remain flat in 2010. In order to increase customer satisfaction with flat IT budget growth, Datamonitor believes organisations must take a new approach to managing organisational change. It should be a pragmatic approach that results in greater agility and innovation by incrementally raising the efficiencies and lowering the costs of business processes. Ways in which enterprises can approach organisational change are discussed later in this paper.

BUSINESS PROCESSES ARE DEVELOPING THROUGH TECHNOLOGY INNOVATION

In order to achieve their revised business objectives, organisations are reviewing their existing business processes. As a result, new operational processes and technologies are emerging, which can support the change in focus and the changing demands of employees and customers. Although there are many methods to implement organisational change, technology innovation is increasingly playing a crucial role in refining operations. Some of the key areas of technology innovation development are outlined here:

IT integration and scalability are key for future growth objectives

Successful organisations that are looking ahead to meet the challenges of future macro- and microeconomic changes understand the importance of IT flexibility and scalability in order to reach their growth objectives. IT solutions and infrastructure must be able to be easily integrated and provide a level of flexibility so that new and updated applications can be readily added. When IT systems are compatible, responding to changing business conditions with new or upgraded technology can be achieved in a timely manner.

Similarly, IT systems must be scalable so they can expand, change and grow in line with organisational growth. This applies to the actual scale of IT systems, as well as their compatibility with future technology standards.

Remote delivery ensures greater efficiencies

Organisations can increase the efficiency of their business processes by enabling the remote delivery of various IT capabilities, including remote diagnostic tools for IT systems, remote security management, remote IT control, and remote helpdesk. There are two key drivers for remote IT delivery:

Firstly, there are more workers in remote-working scenarios. They may work part or all of the time from a remote or home office, or in the field. Historically, the remote delivery of IT applications to these workers has been through the deployment of thin-client computing, mobile and wireless infrastructure, virtual private networks (VPNs), and wide area network (WAN) optimisation. However, Datamonitor believes this approach leads to duplication of effort, increased costs, and often poor manageability. Instead, seamless application delivery may be achieved, irrespective of environment and location, by taking advantage of increases in network bandwidth and availability, and the use of the Internet. These trends foster the development of online application delivery architecture that supports flexible, secure access to information and applications, regardless of location.

Secondly, Datamonitor believes there is a disconnect between desktop management technologies and the business processes they are used to support. To bridge this disconnect, desktop management software must evolve to more closely resemble the extensive remote management support and capabilities of server and datacenter management solutions. Furthermore, Datamonitor expects technology will evolve to allow IT departments to move away from the current fragmented approach to desktop management and tackle the challenge of remotely automating common tasks, as well as providing a degree of self-service.

Managed services enable a focus on core competencies

By handing over non-core business activities to a managed service provider, organisations are able to focus on core competencies. While some organisations will benefit most from outsourcing entire business processes or operational departments to a third party, others will find a blended approach to be more beneficial. A mixed approach of in-house and third-party delivery of non-core business activities, such as back-office operations, gives organisations flexibility at different points in time. During peak periods of product demand or services usage, for example, it may benefit an organisation to employ a managed service provider rather than hire temporary in-house workers as the latter may be more time consuming and less cost-effective.

Employing a managed services provider also ensures that organisations have access to the most efficient technologies on the market, which can be a distinct competitive advantage. In addition, managed service providers can enjoy significant economies of scale, which can make them much more cost effective.

Data records are increasingly becoming electronic

Information and the control of that information is critical to organisations. More data records are becoming electronic as documents and records management (DRM) systems increasingly recognise and manage all pieces of content generated and consumed in an organisation as a record. Datamonitor defines records as unalterable facts that are credited with a definite source of origin and are usually retained for a period of time to fulfil legal and regulatory requirements. DRM systems are being adopted to support the 'manage-everything-as-a-record' paradigm, which creates a broad records management framework that is driven by policy objectives and supported by workflow management. In this type of setup, all formats of content including documents, emails, instant messages, blog posts and comments, multimedia assets, images, and web content are being treated as records.

Centralised electronic data records management is essential

As electronic data records proliferate, it is critical that organisations reduce and consolidate disparate records management repositories. Otherwise, these silos of electronic data become isolated and costly to manage, whilst their content is largely inaccessible to other departments within an organisation. By centralising electronic data records, in a single repository that may be accessed by various business units and employees, organisations enjoy several significant benefits, including:

- **A holistic customer approach** – By electronically capturing all customer correspondence and interaction with multiple sales and services channels in a single operational repository, organisations can gain a holistic view of their customers. That includes all contact from and to the customer, such as emails, phone conversations, paper letters and online forms. When this transactional information is brought together with other customer information, such as customer billing statements and contracts, customer service representatives can have a complete history of customer relations. The upshot is enhanced customer satisfaction and reduced customer-service costs.
- **Greater collaboration opportunities** – Collaboration functionality as part of shared electronic data enables organisations to leverage the benefits of workflow and business rules capabilities. Where DRM systems are connected to a central repository and communicate with other components of the organisations' content management ecosystem, support for collaboration provides data version and change management capabilities. Datamonitor expects that with the general slowdown of the economy, business travel will be reduced and collaboration features will be used to create and maintain shared workspaces.
- **Digital rights management** – The centralisation of electronic data enables organisations to better manage documents that are subject to digital rights. It also enables the deployment of technologies that automate and embed digital rights management (DRM) tools directly into electronic documents. This helps avoid human error, and streamlines DRM processes and any potential ensuing legal issues.
- **Compliance certification** – An initial driver of electronic data records has been government and industry regulations. Organisations that centralise electronic data and standardise documentation procedures can demonstrably prove compliance to regulatory bodies quickly and efficiently. This reduces the risk of negative public and media scrutiny, as well as possible shareholder litigation.
- **Efficient storage** – The consolidation of electronic data reduces the need for capital expenditure on new storage facilities and equipment. Datamonitor recommends that all storage of electronic content that does not need integrating with other data, such as email archiving could be combined and housed in a separate repository.

A PRAGMATIC APPROACH TO ORGANISATIONAL CHANGE

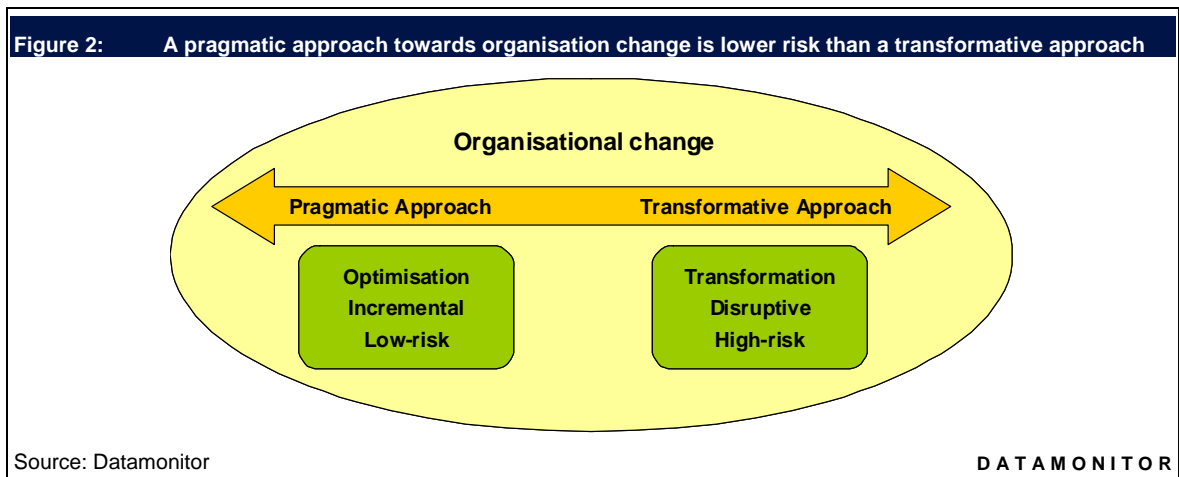
Organisations across a vast array of sectors are faced with significant internal and external challenges, and adapting to the changes that these bring about is no trivial task. There tends to be two main management approaches to change adaptation: a transformative approach, which overhauls business processes with the promise of a dramatically new value proposition; and a pragmatic approach, which consists of incremental improvements to existing business processes.

A transformative approach is characterised as visionary and novel, while a pragmatic approach is based on improving the agility and cost-effectiveness of existing or modified operational strategies.

Rethinking business processes with agile and cost-effective IT

Taking a transformative approach to organisational change is relatively unproven and high risk. It typically requires a 'forklift' upgrade of existing IT systems and business processes, which is disruptive to day-to-day workflows, and often has a long-term return on investment.

Given the changing economic conditions and constrained IT budgets that most organisations face, Datamonitor believes organisations should instead focus on a more pragmatic, adaptive approach. That is, making modifications within existing and proven boundaries in an incremental manner and in response to business changes. This is a low-risk, pragmatic approach because change can occur in gradual measures, one business process or IT application at a time, rather than as a complete overhaul. It may seem relatively mundane when compared to the dramatic results that transformative change can promise, but Datamonitor research shows that pragmatic change delivers closer alignment of IT and business processes with organisational objectives and lowered total cost of ownership.



Organisations taking a pragmatic approach towards change will typically focus on:

- **Streamlining business processes** – This may be achieved by automating a greater range of business processes or components of business processes. This ensures greater efficiency and reduces the risk of human error and latency. Business processes may also be consolidated via collaboration platforms and other workload-sharing technologies. This reduces the lag time that occurs in between the different phases of business processes.
- **Reducing operational costs** – By reducing the maintenance workloads of existing business processes and IT applications, organisations can free up and reallocate resources both for the addition of new or upgraded IT systems, or to higher value business tasks. Maintenance workloads may be reduced by implementing an automated monitoring and maintenance process, which may include remote monitoring and repair, and also by standardising technology platforms so that new and updated applications can be easily integrated.

Holistic cost measurement and control are essential to a pragmatic approach

When it comes to increasing the efficiency of existing processes and systems, it is clear that most organisations must take a different approach to metrics and measurement, in order to assess the true contribution of costs to business results. This often takes the form of more sophisticated and holistic cost and measurement technologies. By controlling costs, organisations may unearth hidden resources, which may be reapportioned to the development of new projects and initiatives.

Comparable key cost metrics must be established

In order to do this cost metrics for all organisational functions must be established. Management should develop or reassess all cost metrics in conjunction with all departments throughout the organisation, in order to achieve relevant and meaningful information that can be subsequently used to add value. For example, IT cost metrics include:

- IT costs as a percentage of total operating costs
- The cost of providing generic IT services, such as email accounts, per user
- The total cost of ownership of hardware (PCs, laptops, printers, mobile phones, etc)
- The average time to diagnose and resolve problems
- Percentage reduction in lost productivity caused by capacity-related incidents
- Percentage reduction in software costs through improved asset control

Each organisation will have different strategic drivers and goals for selecting various cost metrics of business functions. However, there are benefits to choosing metrics that may be compared across an industry standard. Such benchmarking metrics will help identify the opportunities for cost improvements by highlighting problem areas within a business function, discovering gaps in performance, or determining the achievement of efficient performance. It is also valuable to learn how the better performing organisations achieve improved effectiveness.

Integration enables agility and a pragmatic approach to change

By deploying technologies that integrate into existing IT systems and processes, organisations can quickly add or update new applications in response to changing external and internal factors. As such, organisations should ensure key IT components and platforms are interoperable.

Put simply, IT systems integration brings the greatest number of IT components together as one operation. An example of a basic IT integration would be the creation of a unified inbox for email, sales leads and sign-off processes.

A more advanced integration scenario would be that of an enterprise content management (ECM) platform that integrates both unstructured and structured data, XML data, and formatted data, such as Adobe PDF and Microsoft Office documents. Among the business applications that should integrate with an ECM platform are customer relationship management and enterprise resource planning systems, billing systems, legacy systems, payroll and financial systems, databases, directories and archive systems. An ECM platform should also integrate with a leading scanning provider or use its own scanning technology in order to accommodate paper documents. Being able to import or save existing information into an ECM repository enables organisations to use it as a knowledge management repository. Otherwise, this information remains stuck in employees' hard drives and inaccessible to a wider audience.

Integration facilitates the development of a pragmatic approach towards organisational change because it allows for measured, incremental change. For example, the integration of all data records relating to individual users produces a searchable collation of customer-centric data. This data can be used to improve trends analysis, enhance demand management and forecasting, and identify emerging markets. Additionally, the data can be analysed to improve and develop new business processes.

Personalised IT facilitates creative, new business processes

The personalisation of IT systems and functions facilitates more personalised workflows, which in turn increases the speed and efficiency of business processes. Personalised workflows also enable new and creative business processes.

For example, project management software can be installed as a common platform that provides personalised dashboards for individual employees and the activities of projects they are involved in. The software can define timelines, give notifications and deadline reminders, and enable communication among project team members, including file sharing and messaging. It may also allow individuals to create new and improved business processes within a project, based on communications of shared experiences with their peers about specific tasks. Or, by having greater visibility into the different processes throughout a project, employees may develop creative and new methods of achieving certain goals. At the very least, they become more involved in the broader scope of the projects they work on.

Such software gives project managers insight into the various activities of employees, and the various stages and milestones of projects. Managers can use the software to allocate resources, and more efficiently manage employees and, if appropriate, clients and vendors too. By having a comprehensive overview of projects, as well as insight into the day-to-day activities of individual employees, managers gain inclusive project knowledge. This frees up resources that would otherwise be spent on maintaining project workflows, and empowers managers with the ability to make more informed project decisions.

Personalisation may also empower users by encouraging them to use applications or devices in specific ways based on past usage history. For example, multi-functional printers and scanners, can be programmed for individual users. This may

ensure device usage complies with standard business process policies, such as limiting the ability to directly email documents externally from the device. Or, it may simplify workflows to give users access to commonly required tasks, for example the ability to automatically send invoices to the accounts payable team directly from the device, triggering the approval and payment process.

IT automation facilitates organisational process change

IT automation provides control of business processes by enabling process logic to be delivered in a consistent and timely manner. Having this level of control ensures that changes to those processes – whether they are significant or minor changes – can be effectively implemented.

There are many benefits of IT automation, including transparent workflows, process management, and the elimination of human error. A wide range of business processes can be automated with software, including:

- Internal and external communications
- Operational maintenance
- Timesheets and employee profiling
- Finance management and invoice tracking
- Regulatory compliance

Automation is a powerful tool for security management, particularly the provisioning and de-provisioning of user identities and privileges, which is an otherwise tedious and costly process for most organisations. Provisioning solutions have the potential to affect business processes substantially because they are tightly linked. Automating provisioning processes, particularly through self-service models, continues to rise. Technologies such as enterprise risk management (ERM) enable multiple provisioning scenarios based on the role of the person that is granted access. ERM also allows for high levels of automated provisioning responsiveness. For example, if an employee is promoted or departs the organisation, their access privileges will change accordingly with minimal manual intervention. This avoids risks associated with user accounts not being actively de-provisioned once users have left their roles.

Organisations must implement the right technology solutions to meet business goals

Irrespective of the sector or competitive positioning, all organisations stand to benefit from the strategic deployment of technology to advance core business objectives and support business processes. Too often, IT purchasing decisions and deployments are made in a vacuum, without regard for their broader implications throughout an organisation and, in some cases, its supply chain and partner network.

Datamonitor acknowledges that a pragmatic approach to organisational change may not incite the same level of zealous enthusiasm that a higher-risk transformative approach may. However, utilising technologies such as IT automation and personalisation for low-risk and incremental changes to business process are far more likely to result in substantial benefits today and into the future. A pragmatic approach to change also enables resources that would otherwise be spent on managing unwieldy business processes to be reallocated to exploit new organisational growth opportunities. These opportunities will be crucial for organisations looking to ready themselves for the economic recovery.

APPENDIX

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