

Learn fast, accept failure and succeed often

An approach to optimizing your business operations



People matter, results count.

Automation, or robotization, is seen as a potential game-changer for enabling. This can be directed at labor arbitrage, with success measured by the number of human jobs eliminated, or it can be more about better informed decision-making enabled by improved machine learning. In fact, use of automation can go beyond these narrow objectives by taking an end-to-end view of the entire IT landscape and focusing on strategic competitive performance for the entire business.

Automation of this kind is at an early stage of development. Many organizations claim to be doing it but most projects remain small-scale proofs of concept, which can never be scaled to enterprise level. It's also worth noting that external providers often find they are being asked to carry the entire risk of such projects, with no payment until (for example) jobs are eliminated. In reality, this puts off the need to make real decisions. It is not a long-term solution to the dilemma of change.



Clearing the blockers to productive change

Business leaders in every sector have change on their agenda. But here's the paradox: while virtually every organization recognizes the need for change at both an IT and operational level, the pace of change is often seen as disappointing, especially by business leadership. Practical difficulties hold up moves to new operational and technology models, while a combination of perceived risk and lack of clarity about next steps prevents businesses from going as far and fast as they could. We wanted to find out what makes some businesses move faster than others and how we can help clear away obstacles to change and enable more effective innovation.

Enabling faster optimization

Making positive change happen is not always easy, and many businesses find that all kinds of practical concerns prevent them from moving as fast as they would like to. We have investigated some of the most important roadblocks for technology and business optimization and in future papers will focus in depth on many of these topics.

This paper is a high-level introduction to the subject, with contributions from

- **Derek Kemp** – Global Sales Officer of Business Services
- **Greg Duthie** – Global Sales Officer Applications Management
- **Nick Gill** – Sector & Sales Lead, Automotive Sector
- **David Blackwood** – Chief Technology Officer, Cloud Infrastructure Services.

Between them, our four contributors cover every area of interest, from industry-specific services to IT Infrastructure. They understand the ways in which change is and is not happening. This is how they see the subject.

System inertia

Most businesses understand that their IT investments have two distinct purposes. First, they provide the platforms for keeping core processes and systems fully operational (business as usual). Second, IT is the potential driver for essential business changes (innovation). There is tension between these two essential requirements, and this often makes it very hard to develop, agree, fund and put into practice strategies for real transformational change.

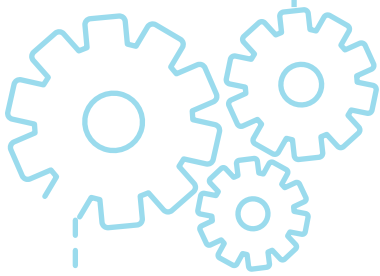
Derek Kemp summarizes the issues: "Many businesses have grown through acquisition, merger and entry to new markets, which has left them with multiple technology stacks." This creates levels of complexity in large enterprise IT environments that are hard to map and understand, let alone change. Enterprises that range from large banks to major manufacturers are rightly risk-averse. Their priority is not to fail, because too much depends on keeping business-as-usual operations working normally. For them, removing complexity to increase agility and reduce costs is highly desirable, but not if the risks seem too high.

Many enterprises try to mutualize costs for non-core areas to simplify their infrastructure and save money. Others try to automate selectively with the same goal in mind. The trouble is, the cost of making mutualization work can be prohibitively high, especially in large enterprises that have a massive legacy environment. There is also one other problem, as Derek Kemp explains: "Most people within an enterprise can agree that much of their legacy infrastructure is no longer of true business significance. The issue, however, is how these non-core systems and processes are connected. Before removing an application or other system component, you need to understand what is connected to it and what might happen if you take it away."

Business and technology leaders have a lot of topics on their current wish lists, and some of them are proving very difficult to address successfully. They include:

- Digital transformation
- Greater emphasis on automation
- Access to greater domain expertise
- Use of social insights, analytics and the Internet of Things (IoT) data to drive rapid innovation
- Growing demand for SaaS and BPaaS solutions
- A move away from a pure technology focus towards business outcomes
- Technology that enables integration
- Sustainable, continuous innovation





Many technology leaders have an understandable fear of change due to the technology dead ends and failures that are all around us. In a culture that prioritizes robust, reliable delivery, no one wants to be responsible for inadvertently causing major system outages, failures in service to customers (we have seen exactly this in a number of banks over the recent years) or be responsible for the next Betamax. In this climate, inertia still has an impact on decision-making. One of the biggest challenges in this area is a systematic effort to reduce or even eliminate fear of change. It won't be easy, human beings don't like change, and often for good reason but in most businesses, this is a real blocker to long-term competitive advantage.

Enterprise IT functions are facing high expectations from the business at the same time as IT budgets are being cut. The severity of the problem varies widely, but we frequently see line of business personnel planning strategies for product development and sales campaigns that depend on their IT function to make it happen. Misunderstandings arise, bad feeling often develops and the underlying issues become more severe. The net result is the development of "shadow IT," with individual departments carrying out "freelance" IT development because they no longer have confidence in corporate IT. Yet the CIO is still accountable for compliance, governance, interconnectivity within the total environment. One factor that would make a very positive difference is a concerted effort to connect business and IT within joint teams to build mutual understanding. This is so often about people, not technology.



The rise of two-speed IT

Some businesses are acknowledging the in-built contradiction between business as usual IT and innovation by splitting the role of CIO into two: one of them focused on “keeping the lights on” and the other (sometimes named as “Chief Digital Officer”) focused on how to identify and apply emerging innovation opportunities.

These two tasks are often carried out by one person, but divided between two individuals. Priorities often depend on the business imperatives of each individual company. When the sector you operate in is being disrupted by digitization, it is usual for innovation to be given top priority. In more stable environments, by contrast, optimization is more about taking cost out while avoiding risk. We therefore see different priorities and different rates of change, not just within sectors but within individual organizations.

Two-speed IT is about striking the right balance between the need for fast innovation in some areas and stability in others. Greg Duthie identifies some specific examples: “Retailers operate in an intensely competitive, extremely fast-moving world,” he says. “For them, the ability to respond at high speed to signals from the market is a matter of survival. Successful retailers have supply chains of a sensitivity and sophistication few other sectors could match. This is a focus for innovation, but we also have to remember that supply chains have to interface with back-office systems, which must remain stable, secure and reliable.”

In many large enterprises, we see the same kind of tension in place. Any business that deals with end-user customers depends on being able to reconfigure their capabilities into attractive new offers at high speed. They need to keep pricing dynamic and achieve more accurate forms of targeting, using granular market data to reach the right people with the right offer at the right price, at the right time. *But*, and there is a very big *but* here, all of these constantly changing propositions, products and offers must stay connected to stable back-office systems at all times, or there would be no fulfillment, no deliveries, no invoices and no payments.

There are two speeds in operation here: go to market, which needs to move fast and is driven by innovation and automation, and back office, which is the rock on which every business is founded. When we challenge companies to “optimize their business,” we understand that changes to both levels of IT need to happen at the same time and in full alignment. That can be complicated.

How can we resolve these two different kinds of priority? In the end, we believe this has to be done at the core infrastructure level by providing reliable, stable growth platforms that are scalable, future-proofed and are designed for rapid, easy integration. This will enable both fast acquisition and equally rapid divestment, ensure that sub-divisions are fully aligned and make costs more predictable. This kind of technology investment delivers lower costs, facilitates a move to OpEx and both reduces time to value while avoiding the “talent crunch” that is already impacting many organizations.





Forward-looking businesses still operate on intelligent hunches to a surprising extent. Amazon, for example, decided at the very commencement of its business that all of its technology investments must be API compatible, at a time when this was not a normal thing to do. They simply felt that it would become useful and so it has! In the same way, a number of major motor manufacturers took the decision some years back to enable their products for 4G and wireless connectivity. They correctly noted that they were actually designing and building complex multi-function technology platforms that happened to have wheels. That investment has paid off handsomely.

The business case

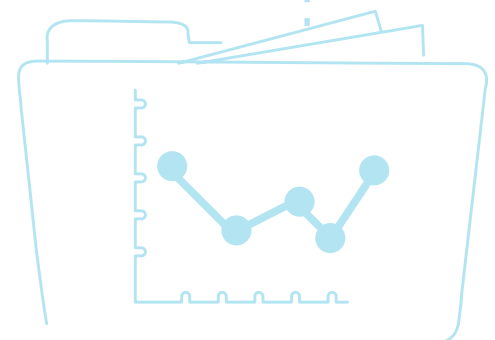
So how can we simplify and make sense of this landscape? According to Greg Duthie: “We need to remember that IT does not work in isolation. What matters is the business outcome of every IT optimization.” Capgemini has created its own dedicated innovation environments (known as Innovation Factories) precisely in order to give potential client companies a safe space in which they can evaluate emerging technologies, test ideas and understand how specific concepts can deliver the required business results. New thinking around the core technologies managed by CIOs today is often the first requirement for enabling true business transformation. We will have more to say on this subject in later papers.

As Nick Gill comments: “In the automotive sector we see many businesses that have a clear idea of the goals they wish to reach but have little idea of how to get there from where they are today.” Yet a clear roadmap to the future is exactly what is needed. Line of Business leadership in many enterprises have extremely high expectations about what their IT function can and should do for them. Some business leaders feel their IT function has itself become an obstacle to change.

So why is that? And what can be done about it? David Blackwood’s view is clear: “Too many business cases and supporting plans are just not clear enough and not thought through in enough detail,” he says. “We encourage organizations we deal with to begin with a business benefits requirement and work from there.” Greg Duthie, again: “We hear many examples of the disconnect that often exists between business and IT leadership,” he says. “It is not uncommon for a CFO to say that two weeks’ work is needed to provide a clear and complete picture of where the company stands financially. This means planning is based on historical data and executive management is always behind the curve when it comes to making decisions.”

The need for speed is seen in other areas, too. Many projects, especially in risk-averse environments, are simply too long for the current market reality. It is still common for major enterprises to launch a five-year development project, of which the first two or three years might be spent on getting the pilot up and running, which means that no ROI can be expected until the end of the project. Then, after year three, you may find that the market has changed and the project is now obsolete. This is failure by anyone’s standards. As Nick Gill puts it: “If you have a project that cannot deliver ROI at the end of the first year then you have defined the project wrongly.”

That’s not the only problem. As Nick comments: “Many people don’t believe in their own business cases,” he comments. “They are not clear what is actually going to happen in the years ahead and they often can’t make decisions in the classic way, based on projections founded on clear data analysis.” It seems that decision-making has become more difficult than ever, despite the sophisticated tools now available.







Partnership

Can we see any relevant changes in the ways businesses work with external partners? Once again, Capgemini is seeing some developments that could just make it easier to clear the blockages on the road to optimization, and these changes are rooted in an evolving approach to partnership. As David Blackwood comments: “When a client company engages, they are increasingly looking first of all for a partner they can trust, and with which there is a cultural fit.”

So are we at last entering a new world of creative, long-term partnership? Not exactly. The RFP based on a specific project is still the preferred mechanism for engagement, because every working relationship has to begin somewhere, with a first step. Even here, though, changes to the bidding process can be seen. The emphasis on innovation capability is increasing all the time, and the weight given to responses is also changing. Capgemini has noticed that around 65% of all RFPs now include questions that are specifically aimed at identifying the capability of a potential supplier to act as a change and innovation partner. The relative importance of such questions has increased significantly in the past three to four years and is still rising.

David Blackwood has experience of this. “We have been visited frequently by client delegations at one of our innovation centres where the discussion has been almost entirely about business outcomes and the new or emerging ways in which we can deliver these faster and more securely,” he says. “Companies are not looking to offer business without a competitive tender, but they do want to understand the potential for added value this relationship might have.”

This is a critically important starting point for a new kind of approach to business optimization. It is essentially about risk, and how to reduce it. Most potential transformation projects do not happen because they take too long, require too much money and carry too high a risk. Progress is very difficult if you believe the technology you are being offered is likely to become obsolete fast, or if business units are developing their own IT projects without consulting the core IT function, or if the business case their actions are based on are not robust, clear or credible. So how can we help to address these and all the other common roadblocks for positive change?

Toe in the water

The view of our experts is simple – this whole subject is essentially about cost, risk and competitiveness. High costs, high risks, no clarity about business benefits: these are all sound arguments for doing nothing. Our task is to reduce the costs, cut the risk and always focus on benefits. Once you take this approach, it becomes easier to make progress, using these key principles:

Fail fast, learn fast – the secret to reducing risk is to have the ability to create production quality pilots quickly and in a safe environment. This allows you to test out real ideas in real working conditions. If they are flawed, you can walk away with little time or money wasted. Better still, you also gain valuable insights that make the next pilot more likely to succeed.

Be more like a start-up – it’s easier said than done, of course, but somehow you have to create incubators and ideas factories that make it possible to try innovations within a “no-blame” environment, while keeping risks under control. So how can you challenge corporate cultures in order to provide additional speed without additional risk?



This is about people and collaboration – this is why the Capgemini Applied Innovation Exchange concept (often known as the “innovation factory”) has proved so successful. It provides a safe, secure meeting point where teams drawn from business and IT, and sometimes from external players, as well, can work together, understanding each other’s needs and building trust. It is also about the need to make sure that the teams which need to implement change are ready. Change is not just about technology!

Save to invest – in the world of twin-speed IT we need to recognize that innovation can only be afforded by targeted cost savings, and the two are related. We work with organizations in a systematic way to build up a war chest from short-term savings that can be applied to long-term innovation. You need to be pragmatic if you want to succeed.

Don’t plunge into anything – it’s not necessary to plan and implement extremely long-term projects, while hoping the world stands still for long enough to give you ROI. We believe in “putting your toe in the water” so that you can get out fast if necessary or move ahead, when you have positive results. This is the key to keeping options open and always investing in success.

It’s always about the business – taking a small amount of time upfront to evaluate business cases and make these sharper, more focused and more realistic saves vast amounts of time and risk further down the road. IT optimization is not an end in itself; it is an enabler for business optimization.

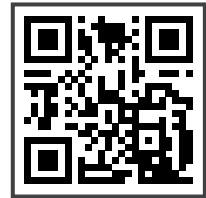
Innovation is not simply an obvious necessity: it’s always a complex balancing act between competing needs and interests. It’s about becoming ready for tomorrow while staying successful today – about business vision and technology enablement, about the organization as a whole and all the people within it. If we really want to break the logjams, we need to see that change is an integrated, holistic process and is not just about technology.

In the very near future, most large organizations will be addressing a great many urgent questions – too many for us to list here. In the next few months, however, we will be focusing on all of these topics in much greater detail, providing more practical solutions for the big question facing CXOs today: how can we speed up positive transformation, while keeping risks and costs firmly under control?

- How can a new vision for applications management speed up time to market for new offerings, while de-risking the development process?
- How can innovation factories be used to test concepts and explore new business models in production environments to facilitate a “learn fast, accept failure” approach?
- Can we identify best practice methods for innovation in specific industry sectors, and then apply these more widely?
- What does a new generation outsourcing ecosystem look like?
- How can we build scalable, agile growth platforms that ensure full control, security and cost efficiency in operation?
- What are the implications for corporate behavior, culture and operational structures in making an organization much more agile?
- What are the best ways to access world-class domain expertise, backed by optimal use of applied analytics?



For more information on how Capgemini can enable you to optimize your business operations, connect with us at:
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Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness.

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