



# Rapid Response: Rebranding IT by Creating Transformational Business Value

Leveraging proven principles of “lean” production, Rapid Response offers a framework for transforming IT into a responsive and adaptive organization. The framework enables IT to more effectively address “moment-of-truth transactions”, one customer at a time, thereby driving business innovation and rehabilitating its tarnished brand with both external and internal customers.

By Sam Pakrashi

Marshall Goldsmith, the renowned management thinker and executive coach, said it best: “What got you here won’t get you there.”<sup>1</sup> These words of wisdom are particularly relevant in the context of the changing role of the CIO. More and more, CIOs are being asked to play a key strategic role in the executive suite, with a mandate to drive growth and innovation across the enterprise.

The CIO’s agenda invariably focuses on enabling business transformation through efficient and effective use of information technology. However, in their efforts to drive enterprise change, CIOs face a daunting task of obtaining buy-in from the business, because many business stakeholders in Fortune 1000 companies still question the effectiveness of corporate IT. Cynics argue that the business spend on information technology has grown year after year, but projects are often delayed and projected benefits seldom realized. Consequently, in the eyes of business stakeholders, the credibility of IT as a business enabler, value creator and driver of enterprise change is practically nonexistent.

In a world where competitive advantage is predominantly a function of technology-driven business innovation, stakeholders demand timely, cost-effective, and practical solutions to immediate operational problems. Rapid Response solutions can help transform IT into a cutting-edge 21st century service organization that responds and adapts to the demands of external customers and business stakeholders, thereby reshaping the very brand of IT. Borrowing from a “lean” production concept often used in world-class service centers, the Rapid Response framework not only optimizes cost but also promotes customer satisfaction by promptly addressing “moment-of-truth” transactions.<sup>2</sup> In addition, by creating transformational business value for external customers, one customer at a time, Rapid Response allows CIOs to continually enhance competitive advantage through business model innovation.

## Why the Disconnect Between IT and Business?

In many businesses today, a fundamental question reverberates through the rank and file. Does the IT organization truly help deliver value to customers? When business executives of several Fortune 500 companies were asked in a recent study by a leading market research firm whether IT adequately supports critical business objectives, such

as lowering operating costs, only 42% said yes. A mere 45% agreed that IT has played a meaningful role in enhancing workforce productivity. Further, only 40% of the respondents believed that IT has supported their strategic business goals that would allow them to compete more effectively in the marketplace.<sup>3</sup> Clearly, there is a perception gap that needs to be bridged to rehabilitate the brand of IT as a responsive and reliable service organization.

Why is IT so widely perceived to be out of touch with the voice of the customer? Why is it viewed as incapable of driving meaningful business innovation that creates competitive advantage? The answer lies not in what IT does, but paradoxically, in what IT believes is trivial and chooses not to do. Generally, IT organizations prioritize large, multi-year, enterprise-wide projects that represent the top 20% of the total number of service requests. However, these large initiatives are often focused on internal priorities; they rarely address the immediate operational needs of external customers, thus adding little transformational business value that is either relevant or timely.

Our research shows that these complex projects usually account for 90% to 100% of the IT organization’s bandwidth. Consequently, little attention is paid to the remaining 80% of service requests, the proverbial “long tail.”<sup>4</sup> While these are typically simple development requests and could be perceived as trivial from a technical standpoint, the business users who requested them see them as urgent, critical to satisfying their customers’ immediate operational needs.

The manner in which IT handles such “moment-of-truth” transactions defines its brand as a service organization. Failure to do so erodes the brand, as well as customer satisfaction, significantly; it also denies the organization an opportunity to understand the voice of the customer. Even in cases where IT organizations are at least partially addressing “long-tail” requests, the execution leaves a lot to be desired.

### Addressing the “Long-Tail” Drives Customer Satisfaction

Traditionally, IT projects have been divided into two broad categories: strategic transformation initiatives (e.g., large-scale ERP implementations) and “lights-on” maintenance and support activities. These long-tail requests can be seen as a third bucket, representing those requests that do not get addressed due to IT bandwidth and budget constraints. However, they are critical to the perception of IT as a responsive service organization because they are driven by external customer or business partner needs.

Sadly, the business, and sometimes even IT, has funding for processing these requests, but they are usually shelved due to resource and/or capability gaps. The lag grows exponentially over time, and before long, creates a significant business impact (see Figure 1).

## The Importance of Addressing the Long Tail

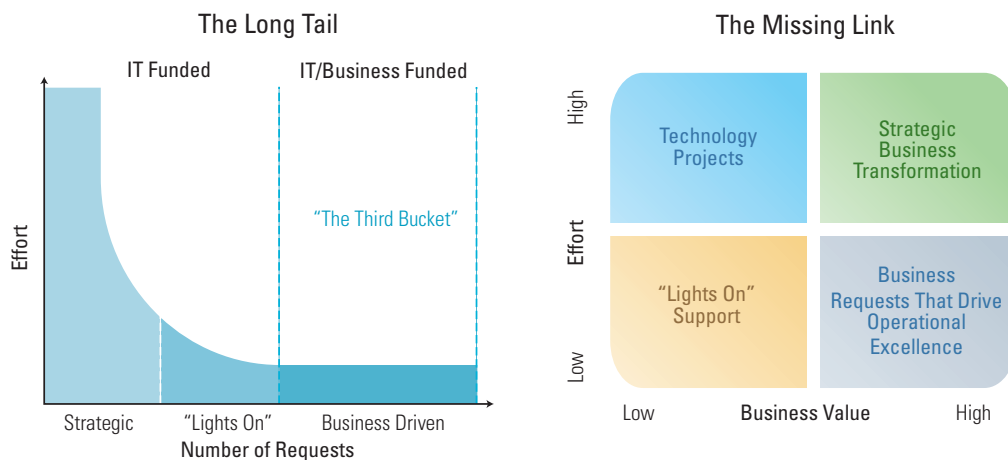


FIGURE 1

These requests typically range from 1 to 240 person hour(s) and may include release-level development activities. Examples include: a special report to identify root causes of a claims payment issue; reduction of shipment errors due to elimination of duplicate order entries; automation of repeatable, effort-intensive tasks in the product development process; or an application change request to address regulatory compliance (e.g., modify Web interfaces to address requirements for the color blind). All of these requests require a quick response and a rapid turnaround.

By addressing these myriad long-tail projects, Rapid Response Centers can significantly enhance customer satisfaction and create a responsive and reliable brand for IT.

### Business Innovation: Changing the Game One Customer at a Time

In addition to being perceived as unresponsive, IT is often accused of being ineffective at driving business model innovation. The reason behind this perception can be traced to how IT defines the customer. Who is the real customer? Many technology executives still define the customer to be the internal business stakeholders. Consequently, most strategic initiatives are focused on reducing operational costs to satisfy internal budgets and priorities. The real customer, however, is the external customer that pays the bills.

To be perceived as change leaders and enablers of new business models, CIOs must understand the pulse of the customer in a constantly evolving marketplace. How many IT executives actually spend time on sales visits with external customers to understand their pain points? How many spend time in operational service centers listening to customer calls to understand customer pain points? How many are measured on business value delivered and not just cost savings? How many are responsible for creating or enabling new business models that continuously push the envelope on innovation?

In cases where CIOs have made an effort to understand external customers, the buy-in from both internal and external customers has been extraordinary. For example, because doing business in China is fundamentally different than in the U.S., listening to customers and attending to their needs based on demographic and cultural nuances makes all the difference. A major electronics retailer headquartered in the Midwest did just that by leveraging business intelligence applications to understand customer buying patterns in China. Its Chinese operations now powers a key part of this company's growth engine, supported by focused technology investments to ensure profitable growth.

## Rapid Response mimics the notion of global shared services, where delivery for specific services is centralized across business units and functions, either globally or regionally.

In an evolving marketplace where collaboration is increasingly channeled through global co-created value networks (wikis, social networking, etc.), visionary companies like Nike and Pomarfin (a Finnish shoe manufacturer) are embracing business models that focus on serving one customer (N=1) at a time. It is information technology that allows Pomarfin to scan images of your feet at a store in Chicago, design to your specification in Italy, manufacture in Estonia, and deliver it to your home in a matter of days. Nike goes a step further, allowing customers not only to choose their own colors but also to create custom designs with personalized messages.<sup>5</sup> It is a pair of shoes made only for you, i.e., N=1. Technology is no longer just a business enabler, but the business driver and a game changer.

Listening to the customer and adapting business models to address fundamental changes in customer preferences requires a seismic culture shift, a mind shift from "we know it all" to making an effort to really understand the changing needs of the customer.

### Tipping Point: Doing More with Less

Why Rapid Response? Why now? Given current adverse market conditions, CIOs have no choice but to cut IT spend and do more with less. IT organizations are at the center of efforts to optimize operations by enabling business transformation through technology. As companies attempt to streamline operations and reduce costs, technology becomes an important enabler, especially in difficult economic times. With shrinking budgets, projects begin to pile up. The confluence of external and internal financial constraints, along with heightened customer expectations, has created an obvious "tipping point."<sup>6</sup>

For example, at a \$5 billion manufacturing firm in the upper Midwest, over 75% of IT service requests remain unaddressed. At another \$2 billion industrial manufacturer in the Midwest, the number exceeds 80%. The problem is consistent and pervasive in IT organizations across industries and geographies. Pent-up demand for technology-enabled business process change provides a perfect opportunity for IT organizations to create a customer-focused transformational outsourcing model through Rapid Response, thereby reshaping the IT brand and driving both standardization and cost optimization.

Doing nothing is simply not an option. As economic conditions worsen, the inability of IT to take care of immediate customer concerns will erode the credibility of IT beyond repair. To that end, Rapid Response provides CIOs a great opportunity to shape the future of the IT organization. Moreover, a few quick wins through Rapid Response solutions can provide CIOs the foundation for broad-based support on larger and more complex strategic initiatives.

### What’s Different about Rapid Response?

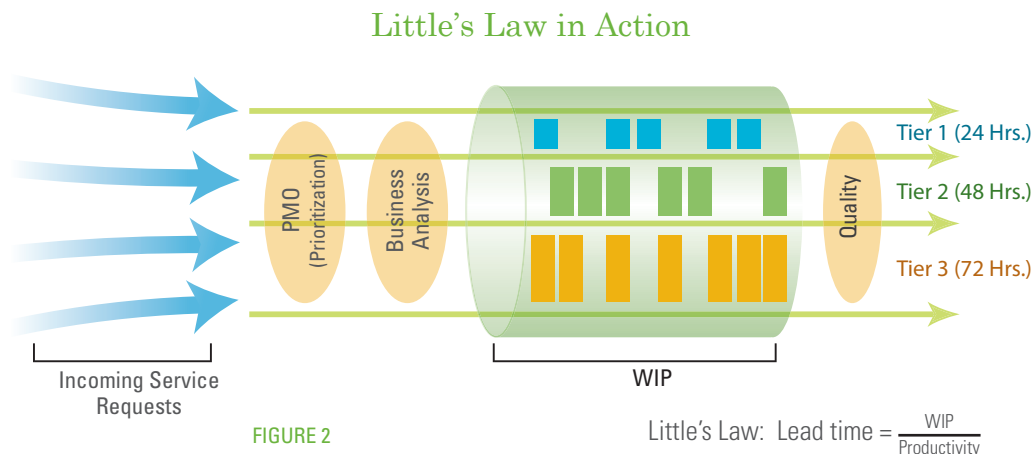
Rapid Response enables CIOs to tackle two fundamental problems in repositioning the IT brand as a strategic driver of business innovation that is both relevant and timely. By tapping into the voice of the customer, one customer at a time, Rapid Response solutions can truly shape new business models and change the face of IT within an enterprise. In addition, outsourcing long-tail projects within a Rapid Response construct allows the IT organization to continue its strategic focus and still be responsive to immediate business needs, without imposing additional financial constraints. It is worthwhile to note that even though Rapid Response falls within the purview of IT, CIOs do not necessarily have to allocate additional budgets for the program, since it is funded primarily by the business.

## The Rapid Response model borrows a fundamental “Lean” concept, often deployed in leading service centers, known as Little’s Law.

Let’s take a closer look at the Rapid Response framework. To a large extent, Rapid Response mimics the notion of global shared services, where delivery for specific services is centralized across business units and functions either globally or regionally. However, there are fundamental differences in the demand management, execution and pricing models. The primary difference is in the underlying premise of Rapid Response. The Rapid Response model borrows a fundamental “lean” concept, often deployed in leading service centers, known as Little’s Law.<sup>7</sup> Little’s Law (equation: Lead Time = Work-in-Process/ Productivity), allows for effective prioritization and sequencing of incoming requests, thereby reducing lead times without impacting capacity or quality (see Figure 2).

Rapid Response leverages Little’s Law in three key ways:

- **Demand Management:** By managing demand effectively by platform and by reducing estimation delays, Rapid Response reduces development wait times (day of request to start date) to nearly zero, thus reducing overall lead times dramatically (from several months to a few days). Prioritization is based on business criticality (e.g.,



regulatory compliance-driven requests may have higher priority). Sequencing of requests is governed by resource availability for each technology platform. The combined effect of prioritization and sequencing streamlines the number of requests that are in process, thereby increasing resource utilization and reducing idle time.

Demand is channeled directly from the business, based on external customer needs. Requests are paid for primarily by the business. It is important to note that the demand management process for Rapid Response has no connection to IT portfolio management processes. However, if requests exceed a certain threshold in their effort estimates, they may be redirected to the regular IT pipeline to ensure that the complexity of large projects is handled with appropriate due diligence.

- **Lean Execution Model:** Another key difference is that Rapid Response centers deliver fixed lead times by project complexity and platform, depending on expectations set with the external customer (e.g., a typical SLA may be 24 to 48 hours for minor customizations). Assuming productivity is fixed in a given time period, throughput has to be adjusted appropriately to provide predictable lead times. Little’s Law can be used to monitor lead times, adjust capacity and manage throughput.
- **Pricing Based on Service Levels:** As Rapid Response becomes popular, demand increases exponentially. To manage demand effectively, pricing signals have to be calibrated appropriately to ensure proper prioritization and sequencing of projects. For example, business users can pay a premium to get a project prioritized if business conditions so warrant. In fact, a tiered pricing model can be created based on service levels (platinum, gold, silver, etc.) for a given technology platform at a pre-determined level of complexity. If you want platinum service (e.g., faster lead times), you simply pay more.

### Anatomy of a Rapid Response Center

Typically, delivery is conducted in an onsite-offshore model with a 30:70 staffing ratio, though ratios may vary by platform and request type. Outcome-based service level agreements enhance the effectiveness of the model. A Rapid Response Center has four primary components: program management, business analysis, technical development and quality control (see Figure 3).

### Typical Organizational Components

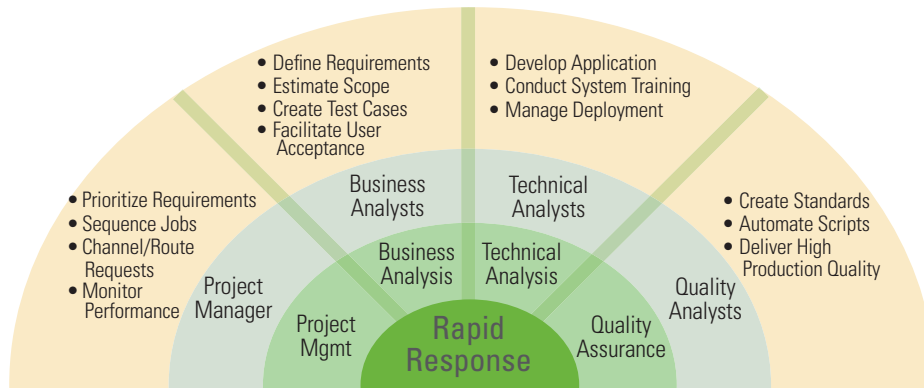


FIGURE 3

- **Program Management:** Crucial to the success of the Rapid Response construct is the program office, which manages the demand pipeline. Demand management and project prioritization hold the key to successfully delivering projects within promised lead times. The program office also tracks project performance using a balanced scorecard. Financial management is also a key aspect of the program office since the business pays the Rapid Response Center directly. Deviations against service level agreements are tracked at the request level and result in both incentives and penalties.

- **Business Analysis:** Another key success factor is the allocation of business analysts by process to write the necessary business requirements. Accuracy in the requirements definition phase enhances speed and quality of delivery. Since these business analysts are not allocated by project but by process, they develop a deep understanding of the customer, which drives customer satisfaction and retention. Business analysts also help document processes and create reusable knowledge artifacts (e.g., maintain process documentation using eLearning tools like Articulate Presenter) that accelerate future requirements definition, thereby enhancing speed to value.
- **Technical Analysis:** Using the “agile” development methodology, co-located technical teams are organized vertically by application platforms (J2EE, .Net, Visual Basic, Business Objects and so on). Each application tower has a minimum fixed capacity or “anchor resources” both onsite and offshore to build a sustainable knowledge base that drives productivity gains. As demand fluctuates, overall capacity onsite and offshore can be adjusted to accommodate changes in demand. There are ample opportunities to cross-pollinate resources across technology platforms in a given business function and vice-versa.
- **Quality Assurance:** Ensuring the highest achievable quality at the lowest reasonable cost is the primary value proposition of the Rapid Response model. Quality assurance is important for enhancing the brand from a reliability standpoint, but so is the adherence to enterprise architecture and standards. A quality assurance thread is vital in driving standardization across a discrete set of requests that may have originated from anywhere within the enterprise. Business analysts must also play a key role in usability testing and quality assurance since they understand the requirements the best.

## Key Elements of the Value Proposition

Making the case for Rapid Response is usually not that difficult in organizations with annual revenues greater than \$2 billion. There are several reasons why Rapid Response solutions are popular with business stakeholders. The primary value proposition includes responsiveness, reliability and cost optimization (see Figure 4).

## The Rapid Response Value Pyramid

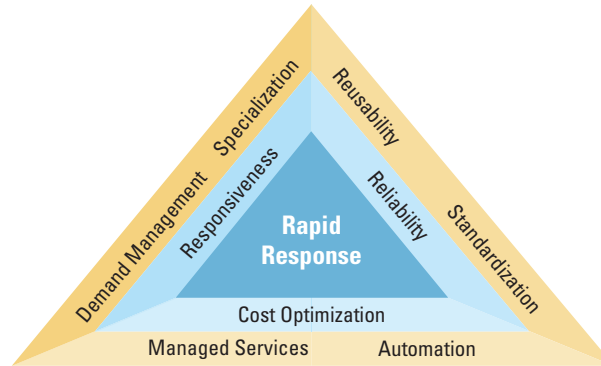


FIGURE 4

- **Responsiveness:** Timely resolution to business-critical problems at a reasonable cost with high quality is a powerful value proposition for any stakeholder. Business executives are usually willing to pay a premium for faster service or a higher priority, if the occasion so demands.
- **Reliability:** The ability to deliver results consistently and predictably is critical to all organizations. Standardization and reusability help drive predictability. Rapid Response allows for standardization across the enterprise because it leverages a common set of tools, knowledge artifacts and templates. Reusable tools and artifacts ensure that duplicate or redundant requests from different parts of the enterprise can be streamlined and rationalized, thereby optimizing implementation costs. For example, multiple business units may request the same report at different points in time, and having the report objects in a central knowledge repository allows

the Rapid Response team to reduce the overall effort, while enabling standardization.

- **Cost Optimization:** Rapid Response solutions allow the IT organization to address requests that were otherwise ignored due to lack of bandwidth. A Rapid Response framework allows these requests to be handled cost effectively through better demand management, standardization and specialization, all of which drive productivity gains. Moreover, since the business usually bears the development costs, the IT budget remains largely unscathed. In short, Rapid Response allows IT to do “more with less.” Rapid Response also allows CIOs to consolidate the hidden IT organizations that often reside within business units under a strategic umbrella and reduce costs by negotiating better deals with service providers on the aggregated spend.

In addition to these levers, costs can be optimized in the Rapid Response model by migrating to a managed services construct and by enhancing productivity through automation.

- **Managed Services:** A Rapid Response solution optimizes costs further if it is deployed in an outcome-based managed services global delivery model with an overall onsite-to-offshore staffing ratio of 30:70 (ratios may vary by platform). Managed services shifts the burden of delivery to a lower-cost business partner through service level agreements, thereby allowing IT managers to concentrate on strategic initiatives.
- **Enhanced Productivity:** Automation and usage of reusable tools can also accelerate solution development in each application tower. It is not inconceivable to attain 5% to 10% increases in productivity year on year, which result in greater throughput and shorter lead times.

### Evolution of Rapid Response

Rapid Response solutions are best implemented in three phases that progressively build on the effectiveness and efficiency of the model as demand scales (see Figure 5).

#### Increasing Satisfaction Drives Demand

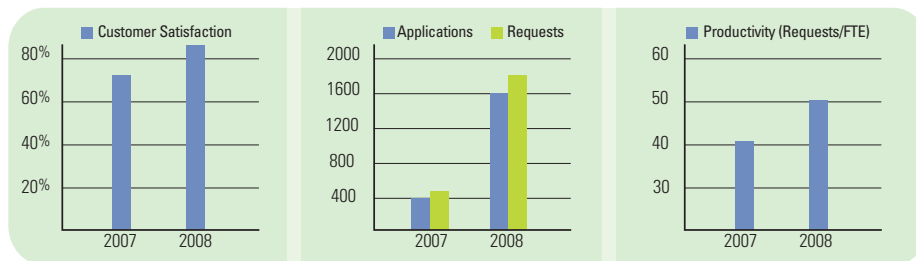


FIGURE 6

#### Reduced Lead Times and Improved Quality at Lower Cost

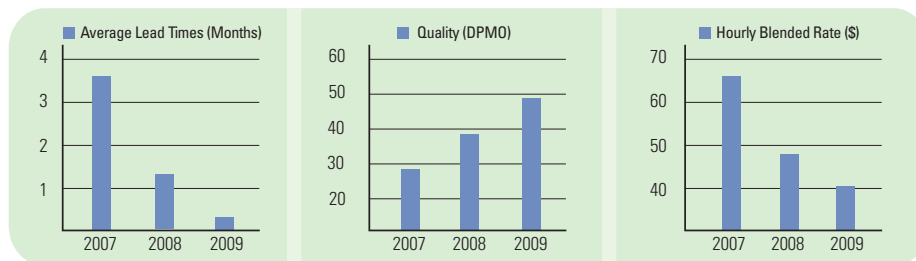


FIGURE 7

Clearly, this company's customers are seeing a multiplicity of benefits due to increases in responsiveness and reliability delivered at lower costs.

- **Responsiveness:** Lead times have dropped in some cases from six to 12 months to two to four weeks, depending on the scope. Significantly faster lead times can be primarily attributed to a drastic reduction in wait times due to proper demand management. Previously, it would take a week to provide an estimate for a two-hour project, which then would sit in the queue for six months. Business stakeholders are obviously delighted by the turnaround times, especially on the moment-of-truth transactions that require priority processing.

**Rapid Response will undoubtedly work in IT, since the principles that drive it are rooted in tried-and-true lean techniques that have transcended industries and geographies.**

- **Reliability:** Since services are delivered by resources dedicated to a specific application tower with the highest levels of proficiency, quality remains exceedingly high, in terms of number of production defects. Strict adherence to technical architecture and standards has also ensured coding efficiencies and reusability.
- **Cost Optimization:** A year into its evolution, this Rapid Response solution has matured from a pure onsite model to an onsite-offshore ratio of 40:60. The model will soon evolve into a managed services construct and transition to a staffing ratio of 30:70. Cost avoidance due to the rate differential (adjusted for productivity) is already 33% of original spend. Migration to a managed services model will further accelerate savings. In addition, due to better demand management, process enhancements, code reuse and automation, productivity has increased nearly 50% year on year. Productivity gains have impacted both throughput and lead times, thus making the notion of "more for less" a reality.

### Building Brand Equity

It's no surprise that customer satisfaction has reached an all-time high. And it's not just the internal customers. Rapid turnarounds on moment-of-truth transactions have an immediate bearing on the perceptions of external customers as well. Rapid Response has helped this IT organization elevate its brand; IT is now seen across the company as being a responsive and reliable service organization. In a nutshell, this IT organization is no longer exclusively focused on cost reduction, but also on customer satisfaction and brand enhancement for the company at large.



Rapid Response works. It is not another passing fad or an idea yet to be proven. It has worked in world-class service centers for many years. Rapid Response will undoubtedly work in IT, since the principles that drive it are rooted in tried-and-true lean techniques that have transcended industries and geographies. Especially for CIOs who are relatively new in their roles, Rapid Response provides an ideal avenue for generating business buy-in for larger strategic change initiatives.

In addition, Rapid Response provides a direct window to customer preferences and market trends, thereby allowing the creation of new business opportunities. In fact, given the growing demand for operational efficiency amid extreme economic conditions, it is difficult not to make a case for Rapid Response. Companies and IT organizations that embrace innovative solutions like Rapid Response will emerge stronger when market conditions improve, and will gain competitive advantage by understanding and serving their customers better, one customer at a time.

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