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The Back-End
We Better Have a Plan B for the ‘Something About Services’ Era
Cognizanti is a bi-annual journal published by Cognizant. Our mission is to provide unique insights, emerging strategies and proven best practices that globally-minded companies can use in their quest for business and IT performance excellence.

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Economic Rx: Everything as a Service

You’ve no doubt heard the ancient Chinese proverb, “May you live in interesting times.” Look around. These times are certainly interesting. Take the 18-month-long “Great Recession,” which according to the National Bureau of Economic Research ended in June 2009. It doesn’t quite feel over, right? In fact, signs of a double-dip recession are lighting up the performance management dashboards of heads of state and CEOs throughout the developed world. Then there’s the sovereign debt crisis that—despite off and on signs of resolution—persists across the stagnant economies of the Eurozone and the U.S. like a bad odor for which there is no air freshener.

Amid all this uncertainty, businesses must plan for the worst, and hope for the best. While the knee-jerk reaction may be to lock up the corporate treasury and ride out the storm, history has shown that companies that invest in process and technological change during down economic cycles usually emerge fitter when business improves. That’s why today’s senior leaders need to rethink, reinvent and rewire their operations. To help open eyes and minds to the art of the possible, we’ve dedicated this issue of Cognizanti to delivering key business functions as a service. It is our belief that to contend with escalating anxiety, companies need to reassess what is core to the business and maintain a laser focus on activities that are truly differentiating in the minds of customers, while jettisoning activities that add little business value.

In response, third-party specialists are emerging to deliver once-core business activities as a service. These providers use global services to blend proven process expertise and advanced algorithms with new results-driven pricing models to help companies remain operationally flexible, regardless of business conditions. While technology platforms, infrastructure and software applications have for some time been delivered as services, the next game-changer will be business processes that can be standardized and delivered by experts who reside anywhere—across the street, the state or the world. And for good reason: Business process optimization is the best avenue to sustainable competitive advantage, particularly if it can be tightly sequenced with advances in information technology.

In this issue, we illustrate how business process as a service is taking form within key functional areas, from digital asset management and order management, through sales and marketing operations. From there, we examine why this new approach to business demands new governance models and how corporate IT organizations must develop new skills and disciplines to keep pace.

Remember, as another infamous proverb reveals, “Great things cannot be accomplished in a short period of time.” The transition to business process services will evolve, slowly. Getting there will take vision, intestinal fortitude and a willingness to wager on more innovative and virtual ways of working.

As always, feel free to contact us at cognizanti@cognizant.com and to participate in the ongoing conversation at cognizanti.cognizant.com.
How Social Networks Impact Software Development

Ongoing research at Carnegie Mellon University on the future of work reveals how unprecedented levels of transparency and collaboration between open software developers and their artifacts is raising productivity and code quality.

By Laura Dabbish, Jim Herbsleb, Colleen Stuart & Jason Tsay

The Internet has become increasingly social in the last 15 years, but the productivity implications of these changes remain unclear.

In social applications, users can articulate an “interest network” of people or things by defining a set of individuals or artifacts (like blogs or RSS feeds) to pay attention to. In doing so, users immediately subscribe to a stream of events and actions that other individuals take. Thus the social Web provides an unprecedented level of transparency in the form of visibility of others’ actions on public or shared artifacts.

At issue: How does increased transparency improve software development, particularly on a large scale (i.e., across a community)?

In our research, we examined a large and well-respected community engaged in knowledge-based work called GitHub (GitHub.com), an open-source code-hosting repository based on the Git version control system. This site integrates a number of social features, such as “watching” code repositories and “following” developers who direct information about these repositories and people of interest to a developer’s continuously updated feed (see Figure 1).

Using a semi-structured approach, we conducted in-person and telephone interviews with a stratified sample of 24 Git users, asking them to walk us through a typical site session and describe their activity within projects. We found that they made a rich set of inferences from the visible information, which contributed to effective strategies for coordinating projects, advancing technical skills and managing their reputation.
Visibility Across Micro Supply Chains

Because all artifacts are visible on the GitHub site, users of a particular project can access its contents and remain aware of project changes on a continuous basis. This awareness and visibility supported direct feedback and interaction between project owners and their users, creating what we refer to as a “micro supply chain” (see Figure 2). Visibility between the supplier (project owner) and consumer (user) meant that owners could infer more clearly who their user base was, how they were using the project and when they were having problems. Consumers were notified about changes to the code, meaning they could anticipate problematic modifications and directly communicate with the project owner about changes made. In some cases, they would even directly customize the code of the supplier to suit their needs, with or without direct communication.
For example, in one instance, a consumer observed changes suggesting that the supplier intended to create a dependency on a library that the consumer and the consumer’s users were not able to use. The consumer helped fashion a mutually-agreeable solution before the supplier became too heavily invested in the planned course of action. The transparency afforded by social networks seems to foster an interactive producer-consumer relationship, characterized by reciprocal dependencies and mutual accommodation.

Communication When Transparency Breaks Down

Communication in this setting generally seemed to be a response to the limits of transparency or to the information and inferences afforded by transparency being insufficient for the purpose at hand. Suppliers and consumers interacted when conflicts arose between two dependent projects or when negotiating modifications to pull requests.

In each case, communication seemed to occur when transparency broke down — when observing actions and artifacts was not sufficient to solve a problem. Thus, although observing the “digital fingerprints” of others’ behavior often eliminated the need to communicate, these passive traces were sometimes too limited when developers needed to negotiate to resolve an issue or collaborate on an effective solution. In such cases, two-way communication may still be required.

Signals of Attention

In addition to observing actions on artifacts, such as changes to source code, social networks allowed users to see what other people are observing (e.g., who a developer is following, what repositories they are watching and comments on actions such as code commits). These visible signals of attention seemed
to help developers manage the downsides of transparency across a large-scale network to find “interesting” or “useful” projects and events (in their words).

These signals, when aggregated, also gave some users higher levels of status because they indicated community approval or admiration. As one user put it, “I’m kind of giving them some token of my attention. I’m saying: I like what you’re doing.” These signals of attention also, in some cases, motivated behavior, giving developers a feeling that someone cared about what they were doing.

Overall, our findings suggest that the visibility of actions might act to facilitate information flows and help-giving, both of which have important implications for the quantity and quality of work. Business and IT leaders can begin experimenting with social networking functionality right away by moving a few interdependent repositories to private hosted services, such as GitHub or LaunchPad, to see how well they integrate with the company’s IT environment and culture. Some larger companies with sufficient dedicated resources for customizing software development environments may consider building their own social networking functionality on top of their standard tools.

Social networking is moving well beyond sharing pictures of cats and commenting on the class reunion. Wedded to the artifacts and instruments of software development, interest networks can provide a powerful tool to support collaboration and awareness.

Footnotes

1 http://git-scm.com/

2 http://launchpad.net/

This article was written by researchers at Carnegie Mellon University’s Heinz College School of Information Systems and Management Center for the Future of Work. Laura Dabbish is a Heinz professor who is involved with the university’s Human-Computer Interaction (HCI) Institute; Jim Herbsleb is a professor at the university’s Institute for Software Research; Colleen Stuart is a post-doctoral research fellow in the School of Computer Science; and Jason Tsay is a second-year software engineering Ph.D. student in the School of Computer Science Institute for Software Research.
Embracing The Work That Really Matters

A new generation of business solutions is rapidly evolving to enable leading companies to turbo-charge performance. Here’s our latest thinking on how automating truly differentiating knowledge work using skilled teams located around the world is facilitating more productive forms of virtual collaboration and generating meaningful business benefits.

By Paul Roehrig

What do companies like Apple, Ford and Eli Lilly have in common? At first glance, maybe not much, but they share a significant characteristic. Business leaders at these companies have made wise – but difficult – decisions about what is “core” to their businesses and focused intently on nurturing those processes while jettisoning work that may be important but is not essential to creating true competitive differentiation. This may sound easy, or even theoretical, but it is neither. These companies have each recognized that creating real differentiation requires new ways of thinking about how work gets done. For example:

- **Apple makes the customer experience core.** Decision-makers at Apple recognized that they could gain brand distinction by delivering an “insanely great” user experience and aligning work activities across the extended enterprise (including partners) to achieve that goal. Consider the interface design, ease-of-use, seamless interoperability – as well as distinctive look and feel – of Apple devices and services. Whether you are an Apple fan or not, it’s clear that by focusing on areas such as product design, software and supplier management – rather than support processes like manufacturing and logistics – Apple has created a unique consumer brand.

- **Eli Lilly aligns sales people to selling.** Effective sales people want to deliver value and close business, not fill out compliance reports. Eli Lilly & Co. works with us to deliver commercial analytics, sales planning, customer relationship management, business and compliance reporting to free resources to focus on sales enablement. By handing over non-core activities to us, the global pharma leader is continuously improving sales and marketing operations (including analytics processes) so that its sales teams can – with laser focus – connect the right pharmaceuticals to people who need them (see article, page 40).

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Ford breaks process chains to hit the gas. In the time of Henry Ford, the primary strategy around process virtualization was, “Don’t do it.” From raw materials production, to manufacturing and sales, Ford wanted to control the entire value chain for an automobile. Now, the company has shifted focus back to its core business of creating new and improved automobiles. Ford now works closely with dealers and keeps a closer tab on changing consumer behavior, while leveraging technology partners to break up dynamic, complex processes such as engineering, HR, IT services and manufacturing.

Focusing on what is truly core is driving Ford’s financial success. For the nine-month period of 2011, Ford reported net income of $6.6 billion and automotive operating-related cash flow of $4.9 billion. Ford demonstrates that process innovation can succeed even in the context of a massive automotive maker (an industry typically not known for being particularly nimble).

As for Apple, its 2010 net sales totaled about $65.2 billion, which grew a stunning 39.7% to about $108.2 billion in 2011. And at Eli Lilly, the company grew revenue 6% (to about $23.1 billion) from 2009 to 2010, and net income grew an impressive 14.6% (to about $5.1 billion) in that time period.

These three examples show what can happen when leaders sharpen their focus on what truly helps them win and keep customers. But this is not just the story of a few high-performers. Over the past few decades, the majority of S&P 500 companies have shifted from business models that are asset-heavy (think factories and equipment), to asset-light (think digits, not widgets) (see Figure 1). To help ease this transition, we believe companies across industry should consider new business process delivery models that use the latest automation services, supplemented by skilled teams located wherever superior talent exists, to optimize how dynamic and complex knowledge work is performed. In this way, companies can concentrate more resources on those activities that truly differentiate them and deliver ever-increasing value to customers.

A growing body of evidence is emerging – from our clients, industry analysts, advisory firms and other service providers – indicating that enterprise decision-makers are redefining what is core to their businesses and increasingly handing over non-core processes to external service providers or to internal

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**From Core to Context: Knowledge Assets Key to S&P 500 Value**

![Components of S&P 500 Market Value](image)

Source: Ocean Tomo, LLC

*FIGURE 1*
shared services groups. In fact, in addition to companies seeking new solutions, an impressive number of first-time buyers indicate they will soon be exploring ways to unbundle and source business process services (see Figure 2).

Experienced business decision-makers usually have a well-developed sense of skepticism when presented with claims about market evolution or ideas about new services and solutions. The more cynical will be left wondering, “Why are service providers creating groups called, ‘Business Process Services’ (BPS)? Isn’t this just warmed-over marketing for plain-old BPO?”

Not really. Traditional BPO services have made many operational processes – such as infrastructure or application management services – less expensive and more efficient. While cost savings and operational improvement will always be relevant and critical (particularly in these challenging times), savings alone won’t necessarily help an organization become a better bank, retailer, insurance firm or movie studio. As enterprises look for continuous improvements in all aspects of their business, a new generation of externally sourced business process offerings is emerging and already providing organizations with the ability to out-perform the competition and generate unprecedented commercial and economic results.5

Our Business Process Services organization, for example, offers solutions that integrate people (industry consultants and global labor with process expertise) and technology (including systems of record, workflow and collaboration) to deliver industry-aligned solutions that can be provided using a wide array of commercial pricing options. Almost all of our BPS solutions go beyond commodity-level work to help clients apply intellectual arbitrage and process modernization to business-critical activities.

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**Decision-Makers Leverage Service Providers to Sharpen Focus on Core Work**

Percent of buy-side organizations looking to outsource business processes for the first time over the next 12 months.

Source: Horses for Sources

**FIGURE 2**

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New Business Process Service Models Are Real – And Growing

Virtually every complex, dynamic business process includes some level of human work – including decision-making, routine work, problem solving, etc. – coupled with some form of technology enablement – including telephones, spreadsheets, Web-based collaboration tools and systems of record, such as ERP applications.

We see essentially three archetypes of business process service (see Figure 3, next page); the first two are well-established services that many companies routinely use at scale. The third is newer but is quickly becoming more widely adopted by enterprises.

- **Core BPO** services – most of which are aligned with industry-specific business processes – often leverage process improvements and labor savings, frequently delivered from lower-cost locations. Core BPO solutions will continue to deliver significant value based on process improvements, economies of scale and technology enablement; however, disruptive technology-based modernization can sometimes be constrained due to labor commitments, customized processes and embedded deal commercials (with customers often paying for a certain staffing level with service delivery goals).

- **Managed process services (MPS)** are solutions that weave together infrastructure, collaboration platforms and global talent to perform sophisticated knowledge work and deliver business outputs to customers. They are modeled as scalable and flexible services with a moderate amount of process automation; commercial deal structures align service level agreements (SLAs) with business outputs or results. Services can be aligned with horizontal processes, such as procure-to-pay, or support specific industry processes, such as healthcare claims processing or clinical data management for pharmaceutical companies.6

- **Business process as a service (BPaaS)** solutions are services with a higher level of automation and standardization and a relatively smaller labor component. These solutions benefit clients seeking the highest degree of automation and efficiency by leveraging a process-specific platform technology. Solutions can be aligned with industry-specific dynamic processes, such as order management in the telecommunications industry |see

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**BPO and Beyond: Expanding Business Process Service Options**

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<tr>
<th>Service Model</th>
<th>Core Value Proposition</th>
<th>Ideal Processes</th>
<th>Technology</th>
<th>Commercial Models</th>
<th>Examples</th>
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<tr>
<td>Core BPO (vs. traditional BPO)</td>
<td>Arbitrage, global delivery, process efficiencies, economies of scale.</td>
<td>Labor-intensive work on core systems.</td>
<td>Thin layer for workflow management and operations control.</td>
<td>Often &quot;input-based.&quot;</td>
<td>Accounts payable on customer ERP system.</td>
</tr>
<tr>
<td>Business Process as a Service</td>
<td>Significant technology-based modernization and automation.</td>
<td>More routine work allowing automation.</td>
<td>Smart platforms significantly increase automation; less process actor work.</td>
<td>Transaction or &quot;by-the-click.&quot;</td>
<td>P2P on Oracle; order management-as-a-service; medical claims on a partner platform.</td>
</tr>
</tbody>
</table>

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FIGURE 3
The most highly automated services are what Gartner calls a Business Process Utility. Examples include ADP payroll processing or highway toll pass solutions such as EZ Pass in the U.S. (or Via Verde in Portugal). Gartner predicts that this style of cloud-sourced, on-demand, automated transactional business process utilities will account for 15% to 20% of the BPO forecast by 2012.7

Our BPS group provides bundled solutions that integrate people (local, near-shore and offshore delivery) and technology (platforms of collaboration) to deliver specific vertical processes and more general horizontal process services. Business process solutions are often contracted with outcome-based commercial models, and they include — but can extend beyond — core BPO solutions, such as broad functional offerings (e.g., finance and accounting) and industry-specific services (e.g., supply chain management for consumer goods and retail companies). A strong fabric of enabling technologies makes these service models possible. Our teams calibrate which type of service model makes the most sense and align the appropriate levels of automation, standardization, staffing and location of staff to ensure the service archetype that will deliver optimal results.

The continued maturation of global delivery models, coupled with new collaboration platforms, open up innovative service options for business and technology clients.

Unlocking Value through Process, Technology Integration

Smartly integrating technology and business process work is key to unlocking improved levels of value for business decision-makers. The continued maturation of global delivery models, coupled with new collaboration platforms, open up innovative service options for business and technology clients. We view this technology fabric as having essentially four aspects that need to be woven together to turbo-charge business process delivery (see Figure 4).8

Integrated Technologies Form the Core of Business Process Services

FIGURE 4
● The underlying infrastructure includes the centralized computing and communications capability for all aspects of process delivery and management. This includes infrastructure technology for systems of record that run the business (see next page), process-enabling platforms and utilities, and workforce collaboration and management.

● Process actor systems are both the enabling platforms and utilities for process modeling, workflow management and collaboration. These are the systems that people use to actually do the work while automating certain elements of the overall process. Importantly, they link to the core systems of record. Process actor systems can be multi-tenant and cloud-enabled (e.g., a global team using software as a service to do process work); tailored for a single customer (e.g., a healthcare claims system for a single payer); or used by a small subset of customers (e.g., several financial firms leveraging a mortgage service system).

● Core systems of record are underlying transactional systems, such as Oracle and SAP enterprise resource planning systems. They are great for storing, managing and reporting data but are often sub-optimal for supporting complex process actor work. For example, we perform a significant amount of clinical data work on customer-licensed Oracle Clinical systems, but we have built tools and platforms to do this work more efficiently, effectively and securely.

● Operations management systems are the integrated set of common tools used for workforce and delivery management. These tools are mostly internal, but they help manage issues, monitor performance, manage key documents, etc. They also enable quality improvement programs to be implemented, which drive ongoing client value.

Integrating service models with underlying technologies opens up new options for ownership (or management) of systems of record, enabling process platform and infrastructure. Depending on the process and business drivers, an optimal business process service model can be architected and implemented. What this means is that business technology decision-makers have choices regarding how the underlying technology is used to enable business process delivery (see Figure 5).

Technology and Process Integration Lead to New Service Models

<table>
<thead>
<tr>
<th>Service Model</th>
<th>Process Actor Work</th>
<th>Core System of Record</th>
<th>Process-Enabling Platforms and Tools</th>
<th>Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core BPO</td>
<td>Discrete process work by global delivery</td>
<td>Client owned system of record</td>
<td>Client applications and platforms</td>
<td>Client owned/managed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Workforce management platform</td>
<td></td>
</tr>
<tr>
<td>Managed Process</td>
<td>Complex end-to-end process work by more skilled workers</td>
<td>Client/partner owned system of record managed by Cognizant</td>
<td>Client/partner process platforms and utilities</td>
<td>Client owned/managed</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td>Workforce management platform</td>
<td></td>
</tr>
<tr>
<td>Business Process</td>
<td>Thinner layer of more skilled process actors; more automation</td>
<td>Cognizant or Cognizant-partner owned</td>
<td>Process platforms and utilities; workforce management platform</td>
<td>Cognizant BPaaS platform (including infrastructure)</td>
</tr>
<tr>
<td>as a Service</td>
<td></td>
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</table>

FIGURE 5
Explore Business Process Options to Modernize Your Enterprise

It is tempting, perhaps, to look at highly successful enterprises like Apple and Ford and Eli Lilly and conclude that they have some sort of corporate mojo that can’t be replicated, but that’s just a trap. Each of these companies, and many more, have built their success on incremental steps — some large, some small — that continually adjusted and refined what they needed to do to out-perform in front of their customers. Leaders made tough decisions that focused more intently on what was core to the brand and were not just focused on protecting “the way we’ve always done it.”

Companies that rely on third-party business process expertise want providers — rightfully — to continue to drive productivity beyond initial cost savings. These solutions are already delivering real value to our clients. For example, our comprehensive order management solution is enabling a telecommunication major to reduce costs and boost its top-line results by significantly reducing order fallout (see page 32). To achieve this kind of real-world success, business-technology decision-makers need to tighten their focus on what is truly core to the brand, re-think how dynamic work is actually performed and consider new sourcing solutions to revamp the value equation. The good news is that decision-makers can act now to embrace more modern and productive ways of working without exposing the organization to unmitigated risk. Recommended actions include the following:

- **Focus on the friction points between business and technology.** Chances are good you already know where to start. As we’ve discussed, at many companies a large proportion of value is tied up in data-driven processes. Enterprise leaders must step back and consider what their company should do better than anyone, then think about which of the existing business processes within the organization are impeding the attainment of that goal. Businesses have the highest number of pain points at the intersection of technology and process work. It could be mortgage loan processing, insurance claims management, revenue cycle management for physicians, or wealth management for people who don’t want to depend too much on a banker. Leaders must start looking at new options to disrupt these legacy business processes.

- **Leverage new solutions to focus on what is core.** Many companies struggle to retain work processes that may be critical but are not core to the brand or customer value. As companies respond to opportunities and challenges associated with Future of Work themes (see *Cognizant* Journal, Volume 4, Issue 1), new business process service models are increasing in relevance as they help organizations jettison, automate and derive insights from work that is critical to operations but may not differentiate the brand. Decision-makers should keep in mind that many processes that are not core to the brand are not simple commodities and are still absolutely critical to the business. It is time to take a fresh look at the latest generation of business process solutions to unlock new levels of value.

- **Figure out who writes the check.** Many — or most — companies are set up to procure services aligned with a specific technology (e.g., infrastructure or application services) but that are not ideally configured to buy services aligned with critical business processes. Business process owners and IT organizations should start now to figure out how to procure
work done “as-a-service” as outlined above. Paying the bill may sound simple, but new service models will mean some fairly significant changes in how cost allocations and purchasing activities align with actual business outputs. This isn’t easy. Recollect the inevitable dust-ups we’ve all been in over IT costs, corporate functional allocations, telecommunications expenses, etc., and you get the idea. It may not be sexy, but knowing how you’ll pay the bill is critical in the real world (and ignoring the potential longer term value of BPS could limit future improvements).

● **Pack for the journey.** New business process service models are already a reality, and adoption is accelerating, but many companies can – and should – focus on the value proposition offered by core BPO in the near term. We are not advocating that new service models are implicitly better than traditional solutions, but we do believe they should be carefully evaluated over the next four to six quarters. New process solutions may be important options down the road, so decision-makers should recognize the opportunities of the business process journey and pick what makes sense now – often core BPO – and also select providers and build contracts with an eye on future opportunities and service models.

● **Create smart partnerships with your business process provider.** Technology and business leaders are starting to lean on service providers like Cognizant to assume responsibility for dynamic knowledge-based business processes. Crucial to success will be the provider’s knowledge of your industry. Established industry knowledge, process savvy and relationships will be required to deliver and de-risk business process services. Decision-makers should look for that capability within their ecosystem of service providers and alliance partners.

**Footnotes**


6 For example, Eli Lilly and Cognizant have created a BPaas solution (commercial intelligence as a service) that delivers commercial analytics, sales force planning, sales incentive compensation, customer relationship management, business reporting, data warehousing and state compliance reporting.

7 Recent Gartner research of 836 business-unit sourcing managers in companies with 500 or more employees from November 2010 through January 2011 shows that 41% were either piloting or in partial or full deployment of external processes via a BPU model. See “Forecast Analysis: Business Process Outsourcing, 2010-2015, 3Q11 Update,” 4 October 2011, ID: G00219798.

Vendors like Oracle and SAP are working hard to create their own engagement platforms that link to their systems of record. Oracle, for example, has process-aligned solutions such as purchase-to-pay, order-to-cash and record-to-report. It also offers industry-specific process platforms. In life sciences, for example, these platforms span end-to-end clinical trials management, clinical data management, product safety risk management, pharmacovigilence and clinical and safety analytics.

“The core rationale for vertically integrated corporations with co-located employees in company buildings, all marching to a command-and-control culture – all that is removed once you have anytime, anywhere systems that create virtual presence. This enables the offloading of non-core work to the ecosystem, processes so mission-critical it was heretofore unimaginable that we could let another company perform them on our behalf.” Malcolm Frank and Geoffrey Moore, “The Future of Work: A New Approach to Productivity and Competitive Advantage.”

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Revitalizing Marketing’s Digital Content Chain

New delivery models promise to increase the value of organizations’ fast-growing and sometimes voluminous digital marketing assets. Embracing the as-a-service approach enables more collaborative and dynamic ways of working across the value chain, returning benefits in cost, efficiencies and new opportunities.

By Jon Christian

Digital assets are ubiquitous, essential components of business. They’re everywhere in organizations: photos, presentations, designs, packaging, style guides, brochures, TV spots, radio spots, logos and Web site graphics. In fact, such unstructured data is often found to represent an estimated 80% of enterprise information.

Truth is, digital assets are easier to manage and share than traditional media ever was. To make the most of them, organizations need to manage their digital assets in ways that match their fluid nature. Companies create assets and then share, store, retrieve, alter and, ultimately, capitalize on them.

Management of these assets must be equally flexible. Delivering enterprise asset management capabilities via the cloud as a service opens up corporate troves of rich media so they are accessible and scale affordably. For large global organizations, digital asset management (DAM) as a service means greater efficiency. But more importantly, it is shaping new opportunities. Marketing departments are a leading example of how organizations are using the service-model approach to rethink their digital assets and businesses with an eye toward generating new corporate value.

Asset Management as a Standardized Process

Departmental asset management solutions have only perpetuated the silos that originated back when companies stuffed their marketing collateral into thick three-ring binders. The silos continued to form when employees began filing marketing materials into electronic folders that sat sequestered on hard drives. Delivery of DAM has been its downfall. With internal teams and external partners lacking direct access to documents, videos and images, siloed DAM systems have fallen short of their goals of smart management.
Then along came the cloud. Profoundly scalable and flexible cloud technology is the perfect match for digital assets’ dynamic nature. It unleashes the management of digital assets from its roots as a departmental solution and expands it into a company-wide business process that packs benefits for the entire enterprise.

Flexibility is the hallmark of the service model. Managing digital marketing assets as a service through the cloud lets companies shape key processes in ways that make the most sense for them. So, instead of having to procure servers and storage ahead of their content and processing needs, enterprises can scale dynamically in real time. The business drives DAM as a service, not the other way around.

Profoundly scalable and flexible cloud technology is the perfect match for digital assets’ dynamic nature.

When large organizations view DAM as a business process, they can more easily standardize it and establish best practices and operational capabilities. From there, DAM can be launched throughout the enterprise as a service, reaping the cloud’s benefits of greater scale, efficiency and cost flexibility.

**Delivering Business Processes as Services**

With its evolution to a standardized capability, DAM joins the growing ranks of functional processes that companies are buying à la carte through the cloud. The new class of cloud-delivered services is called business process as a service (BPaaS). In addition to DAM, BPaaS includes other enterprise processes, including HR and back-office operations such as accounting, as well as emerging functional areas in sales and marketing operations (see article, page 35) and order management (see article, page 27).

Organizations are beginning to view the capabilities they use to conduct business and support goals – everything from customer support to the supply chain – as competitive differentiators, right alongside more traditional advantages such as usage licenses.

DAM is a natural choice for organizations as they begin to expand their adoption of cloud-based BPaaS and apply its strengths. Why? There’s no excess capacity to maintain and no protracted, expensive deployments to undertake. Such pragmatism is the reason why BPaaS is establishing roots so quickly. It makes eminent financial sense not only because it reduces companies’ total cost of ownership but also because it switches expenses that have traditionally been capital expenditures into much preferred variable costs.

What’s more, elevating DAM to a standardized business process gives it added strategic value. Media and entertainment organizations, for example, are beginning to view the capabilities they use to conduct business and support goals – everything from customer support to the supply chain – as competitive differentiators, right alongside more traditional advantages such as usage licenses. Similarly, they increasingly view DAM as a way to gain more value from rich media through syndication, better rights distribution, version control and metadata management.
Asset Management Supports Marketing’s Changing Role

While the media and entertainment industry’s sophisticated media supply chain made it the logical earliest adopter of DAM as a service, standardized management of rich media is moving across all industries and through all departments. With their arsenals of digital assets, marketing departments are leading the charge and demonstrating how DAM can relieve operational pain and drive productivity gains. A few years ago, marketers that adopted a rigorous approach to asset management were forward-thinking. Today, DAM is a core business function.

Marketing’s embrace of DAM comes at a defining moment for the marketing function. More companies are requiring marketers to step beyond their traditional tactical roles and become agents for organizational change. The message? Get more strategic. Generate corporate value and creatively use assets to penetrate markets and churn out new products. In addition to positioning, promotion and brand-building, be part of key strategic activities, such as sales, innovation and stock-market performance.

As part of the shift, marketing needs to optimize its processes. Central to a CMO’s influence is consolidating control over the vast reserves of rich media that support the corporate brands and image. Indeed, marketing’s digital assets are intrinsically tied to overall organizational value. Brand consistency is more important than ever, and with good reason. The corporate brand accounts for an average of 5% to 7% of the market capitalization of companies tracked by CoreBrand, a New York-based consulting firm, for a longitudinal study.

For localization to be profitable, messages have to be sharp and silos, dismantled.

These days, companies maintain huge collections of rich media to support their corporate brands and strategies. Marketing traffics in hundreds of asset types, everything from printed materials such as signage, packaging, stock photography and billboards, to broadcasting assets such as radio spots, TV commercials and training videos. In many ways, marketing departments have taken on the information management opportunities of publishers.

Marketing’s Challenges as it Goes Global and Local

As the volume of assets has exploded, so have the ways in which marketing uses them. For one thing, distribution channels have morphed from one-to-one or one-to-many into multi-directional forms. Social media has permanently pried open distribution channels, and dynamic two-way interaction between companies and their customers is the new norm. To be successful, marketing organizations need to be ready to capitalize on the new opportunities.

Additionally, the global reach of multinational companies means more localized marketing efforts than ever. Localized marketing lets organizations win new customers and maximize sales. But it also requires balancing brand consistency with tactics that are relevant and meaningful in local cultures. For localization to be profitable, messages have to be sharp and silos, dismantled.

The sheer number of marketing assets in a global economy is mind-boggling. Think about promotional trailers or training videos that need to be distributed globally on a diverse array of devices – TV, smartphone, tablet, laptop, MP3 – and in multiple languages. Consider the challenges that consumer packaged goods companies face in localizing each piece of packaging across all of their product lines. No one said globalization would be easy.
With such high stakes and a plethora of outdated manual processes, it’s no wonder that more than a few organizations question whether they’re up to the task. According to a 2011 survey by the CMO Council,¹ many marketers question their ability to localize content and campaigns for varying markets and audiences, and they worry about successfully enforcing brand guidelines and consistent use of brand assets.

What’s more, concern over marketing costs runs deep throughout companies. On the lookout for new and more cost-effective ways to perform daily activities, more than 30% of CFOs surveyed by Ernst & Young in 2010 identified controlling content and marketing costs as their number-one target for change.²

Marketing Asset Management as a Service

Nimble, accessible DAM as a service provides the combination of smart management and lower IT costs that marketers need to succeed in today’s business environment. We recently launched a cloud-based service that empowers marketers to get more strategic about building brand equity through more effective management of digital assets. Cognizant assetSERV is an enterprise platform that helps cut marketing IT costs by reducing total cost of ownership of infrastructure, software and integration investment in favor of a hosted BPaaS model. It enables business units to deliver the right content more quickly and with greater control and quality (see sidebar, page 24). Processes are clear and transparent. The service comes with best-of-breed solutions configured to each organization’s specific needs (see Figure 1, next page).

Creativity is the heartbeat of marketing organizations, while asset management is a support process. Our DAM as a service offering transforms marketing asset management into an operational capability, via a central asset repository for authorized users and the automation of hand-offs that can bog down even the most talented marketing teams. This frees marketers to engage in more of the innovative thinking that is earning them a role in strategic discussions. With our support resources running the platform, companies can focus on marketing strategies and smart tactics.

Additionally, multinational companies can create a platform for management of all types of rich media – any marketing campaign, any deliverable – and all of the associated workflow.

Enterprises are looking to new views of their marketing organizations’ images, videos and audio files as sources of innovation, sparking creative opportunities to enter new markets, develop new products and ultimately improve their bottom lines.

Bringing Balance to the Client/Agency Equation

Marketing assets also involve complex relationships. The client/agency partnerships that produce assets are larger than ever and as complicated as always. A DAM as a service offering can bridge the gaps that can open among partners. It lets marketing organizations and their partners — ad agencies, production facilities, design firms and printers — flex as needed. They can upload and download files, and scale up and down to add users as projects and campaigns demand.
For agencies, DAM as a service acts as a global platform for creating and supporting complex new-product rollouts. For companies, it becomes a central repository through which they retain full access to their digital marketing assets, even as their creative partners may change.

Hosted enterprise DAM resolves a number of operational headaches. Duplication of effort and cost, for example, is a huge problem for marketing organizations. Hard-to-locate collateral is at risk of being created over and over. Forty-five percent of marketers surveyed by the CMO Council lacked real-time access to inventory or use of materials in their marketing supply chains. Fifty-one percent have sent out old or outdated content.³

DAM as a service reduces the risks and costs of obsolete material by making images, videos and audio files easy to find. Marketing can develop workflows for asset-related business processes — metadata tagging, review and approval processes, asset transformation — and deploy them in weeks instead of months. Workflows streamline the collection of metrics so marketing can track the assets used most often. They know where every piece of content is distributed. DAM specialists, located inside or outside the traditional marketing department, can lend a hand with seasonal spikes in demand, as well as one-time events that require staff augmentation.

The Anatomy of Cognizant assetSERV
How assetSERV Works

Here’s an example of how a marketing team uses Cognizant assetSERV to collaborate on content and contribute to the centralized repository.

1. Corporate marketing partners with an external agency to develop an ad campaign, creating “soft proofs” directly within assetSERV, eliminating the need to print, scan or e-mail.

2. Next, the agency uploads the campaign and its individual assets – images, text and logos – into assetSERV, which automatically routes the package to corporate marketing for review.

3. Using assetSERV’s preview feature, corporate marketing annotates and marks up the assets, and the assetSERV system routes the materials back to the agency. The agency checks out and downloads the revisions, makes changes and then uploads the revised package and checks it back in. Teams easily track, view and compare versions throughout the project’s lifecycle, documenting the iterations along the way to support reporting and metrics.

4. Once marketing signs off, assetSERV forwards the package to the legal department for review – another time-saving step that ensures legal approval is in place prior to publication – and then to specialists who add detailed metatags and sets appropriate security levels.

5. Marketing publishes the campaign’s assets and linked components to the consolidated repository, making them available to authorized users worldwide.

Digital distribution is secure and allows timely and cost-effective delivery. Authorized users can access marketing material no matter where it originates.

The next step is localization. Here’s how regional marketing teams use assetSERV to customize content:

1. Authorized regional marketing teams log in and easily locate and request materials.

2. Leveraging business process outsourcing resources, assetSERV provides cost-effective localization – translating text, inserting territory logos and adding other regional or cultural adjustments. It applies metatags to the custom versions and routes the assets back to the authorized users.

3. Once the new asset is approved, it’s published and ready for download via secure links.
Because all components are integrated within a single platform, deployment, development and integration are more streamlined and occur in a fraction of the time for an enterprise deployment. In addition, by implementing DAM as a service, marketing organizations create a single point of contact, ending the headaches of signing contracts with multiple vendors, infrastructure companies and systems integrators.

Managing The Digital Future

Smart enterprise management of digital assets means better collaboration and improved use of assets. Delivering DAM as a standardized service allows organizations to act cohesively and scale up and down as needed. But efficiency and affordability are only the initial benefits. Enterprises are looking to new views of their marketing organizations’ images, videos and audio files as sources of innovation, sparking creative opportunities to enter new markets, develop new products and ultimately improve their bottom lines.

Footnotes


Jon Christian is an Assistant Vice President within Cognizant’s Information, Media and Entertainment (IME) Business Unit and leads the company’s Digital Asset Management (DAM) Practice. Jon has successfully led DAM teams on everything from strategy definition, investment justification and ROI analysis, through design, integration, implementation, change management and support. He can be reached at Jon.Christian@cognizant.com.
Working Smarter to Stem Order Fallout, Fulfill Ever-Changing Customer Needs

A new wave of process and technology innovation is emerging that aligns order management activities with cloud-enabled service delivery models, with the promise of improving top- and bottom-line performance, while elevating customer satisfaction.

By Robert K. Pucci

To contend with increasing product and service intricacies, companies with complex order management processes must once and for all resolve escalating process challenges that threaten to undermine the sanctity of their core business operations. Fortunately, a new wave of process and technology innovation has arrived that aligns and integrates order management activities with emerging cloud-enabled service delivery models.

Known as Order Management as a Service (OMaaS), this approach promises to not only bring rhyme and reason to the chaos that often surrounds complex order management activities but also improve top- and bottom-line performance and elevate customer satisfaction (see Figure 1, next page).

In fact, early experience shows OMaaS has the potential to raise order management process efficiencies to new heights, from order negotiation and configuration, through time to launch. The end result: reduced up-front capital investments. In at least one instance, OMaaS has brought smarter and more cost-efficient order management to a major global telecommunications provider, delivering effective, automated processes to support business operations.

Attributes for Complex Order Management

As economic uncertainty persists across industries, many companies are seeking ways to remove costs from operations and create new efficiencies. As such, they are looking to re-engineer key processes by
removing unnecessary steps that add time and expense and undermine accuracy. This exploration inevitably leads them to specialty partners that are located where talent is abundant and cost-effective and, by virtue of the Web, can combine demonstrated expertise with more modern, cloud-powered platforms to optimize end-to-end process performance. Order management is emerging as a set of processes that, for certain industries, are tailor-made to be delivered as a cloud-based service. These businesses, we believe, have specific order management attributes that add up to complex order management processes (COMP).

COMP typically involves bundles, cross-product dependencies and some combination of physical goods and supporting services. COMP often has complex pricing structures, based on criteria such as location or usage. These attributes include:

- **Product complexity.** Product complexity arises from products that are highly configurable by the end customer, have hierarchical structures and relationships, use multiple pricing types (one-time vs. recurring), combine both physical goods and supporting services and can be combined together to create a single customer bundle/offer. Additional complexities can arise when products and their associated processes vary across regions or customer segments (e.g., consumer, small business and larger enterprises). All of these characteristics require management of a complex set of business rules and cross-product dependencies.

A SKU-based system is not enough; a more intelligent system is needed. Systems and processes must handle complex product configuration and implement mandatory edits to enable accurate and efficient orders to be taken, tracked and fulfilled. Examples of this include custom-built products in retail and configurable aspects of pricing and bundling in the insurance industry.

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### Where OMaaS Helps

<table>
<thead>
<tr>
<th>Business Attribute</th>
<th>Current State</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Limited retention and cross-selling</td>
<td>Enhanced retention and cross-selling capabilities</td>
</tr>
<tr>
<td>Customer experience across channels</td>
<td>Manual, opaque, fragmented</td>
<td>Transparent, integrated</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Limited opportunity</td>
<td>Real-time order negotiation and configuration</td>
</tr>
<tr>
<td>Speed of product launch</td>
<td>9-12 months</td>
<td>Faster time-to-launch</td>
</tr>
<tr>
<td>Investment</td>
<td>High</td>
<td>Variable</td>
</tr>
<tr>
<td>Business operations and fallout management</td>
<td>Manual, inefficient</td>
<td>Smart, automated</td>
</tr>
</tbody>
</table>

FIGURE 1

Order management is emerging as a set of processes that, for certain industries, are tailor-made to be delivered as a cloud-based service.
Long provisioning and order lifecycle management. This includes order processes that require multiple touchpoints, dependencies between steps, parallel processes and future due dates. Since it is not a one-time event or purchase, in-process orders can be modified, resulting in movement in location, new features or additional services. Long provisioning cycles can require multiple internal groups, as well as third-party providers (credit checks), resulting in complex process support, manual intervention and coordination. In the case of bundled orders with multiple products, order management complexity can explode, with each of the decomposed products having a different order lifecycle. Examples of this include provisioning and activation processes for utility or energy providers.

Manually intensive provisioning. Some product and service offerings require human involvement to make decisions. This is important in situations where tacit knowledge and intuition provides better performance than rules-based systems. An example of this includes the mortgage application process, which includes appraisal, funding and recording.

COMP attributes typically exist in several industries, including telecommunications, utility/energy, information management, media and entertainment, Internet video content, insurance, custom-configured retail product and travel/hospitality. In each case, product catalog variability and order management complexity are rising, radically. It is these industries that we believe can benefit most, at least initially, from OMaaS.

With OMaaS, a single product catalog is used to manage both product configuration and order flow. This enables rapid, on-the-fly modification of existing products/offers and the ability to launch new products via configuration changes made in the product catalog. As such, the entire order management process is less onerous and expensive, as well as more adaptive to customers’ ever-changing requirements. With OMaaS, companies can manage long provisioning and full order lifecycle processes for both automated and manual processes. The solution typically includes optimization capabilities to increase the level of automation over time, improving accuracy and reducing costs.

Defining OMaaS

At a fundamental level, OMaaS weaves traditional IT delivery with business services (consulting and BPO) to create a new vendor partnership and sourcing model (see Figure 2, next page). The intent is to solve order management problems through a low-initial-investment, variable-cost model. The key principles are:

- **End-to-end order flow accountability.** Ensuring flow-through improvements, automation and manual handling, where required.
- **Operational efficiency and effectiveness.** Continuing process improvements and relentless removal of manual work through automation.
- **Coordination and execution.** Achieving higher levels of process improvements and automation through close coordination among consulting, IT and BPO resources to identify the optimal process adjustments and execute these changes quickly.
- **Reporting and analytics.** Improving management decisions and process optimization through real-time data.
- **Strategic partner relationship.** Creating incentives for companies to co-innovate with providers, thereby increasing productivity, reducing workforce requirements and sharing end-to-end accountability through business-oriented service-level agreements (SLAs).
OMaaS Fundamentals

Our OMaaS methodology provides a foundation for delivering and managing order management solutions in a responsive and cost-effective manner. It involves a three-pronged approach, integrating a cross-competency team of technologists, consultants and BPO specialists to align business and IT with common goals.

By taking a very data-centric approach and using specially designed IT tools, consultants analyze agent order handling and current business outcomes (e.g., order cancellation rates, multiple missed appointments), apply quantitative risk assessments and develop fixes. These factors are used to identify discrete areas of improvement, prioritized by risk attributes. This iterative approach allows the consulting team to coordinate and gauge impact and results on a daily basis. By identifying process-based improvements, the team is able to identify remedies for the root causes of order management problems, such as order fallout, through real-time triage.

As improvement areas are identified, the team drives the requirements and provides recommendations for automating the order management process. Doing so requires a combination of operations and design expertise. Once recommendations have been made, a review panel decides which fixes can be implemented.

In early engagements, OMaaS has moved order management solutions beyond support and the streamlining of work activities. As business models across industries evolve, new contractual structures and strategic partnerships can enable integrated business and IT teams to enhance profitability (see Figure 3, next page).

Communications Industry: An Early Adopter

Communication service providers (CSPs) are an example of an industry where COMP has reached its zenith. Today, the CSP value chain extends from infrastructure management and service provisioning, to new models of content delivery and interaction. New forms of innovation are creating inter-industry relationships between communications providers and several sectors, including the Internet, media, entertainment, information services and technology, which is creating chaos and forcing transformation.
For example, the explosion of so-called “quad threat” bundles (terrestrial and wireless telephone service, as well as Internet access and television) is adding complexity to the order management process. As new business models emerge and services expand, CSPs must be flexible enough to respond quickly to deliver new product bundles to customers and do so with utmost efficiency. The ultimate goal is to implement a fully automated order management process. However, typical implementation results in numerous manual steps and exceptions, which are costly to the organization. Fallout often leads to manual exception handling and thus negatively impacts the ROI of a new product introduction.

As business grows and order volume increases, the fallout volume typically increases, as well. CSPs must find a way for order management to support higher order volumes (and revenue levels) without the corresponding linear growth in headcount to support these volumes. At the same time, they need to improve business outcomes, reducing both capital and operating expenditures.

Significant and ongoing process improvements require a new approach to aligning customer service agents and systems in a way that will drive greater efficiencies as volumes grow.

To address these challenges, CSPs need to streamline their order management processes to support new and more profitable ways of conducting business. These processes will entail more collaborative and virtual processes to address flexible product offerings and more complex products and services requiring longer provisioning cycles and multiple touchpoints. This will create new operational efficiencies by reducing manually-intensive processes that often cause order fallout, thus leading to greater levels of business performance. Moreover, CSPs must deliver positive, well-coordinated customer service or risk losing customers to competitors. They must be both efficient and reliable in delivering excellent service and connectivity across all stages of the operation.
OMaaS in Action: The Communications Industry

A tier-one global CSP is leveraging our OMaaS solution to streamline order management and generate new levels of business performance. A wide array of order management solutions is being delivered via a modular technology framework to help this client improve its order management process by simultaneously increasing knowledge worker productivity and decreasing headcount.

This multi-year, flexible pricing agreement is focused on:

- Driving synergies across IT and the business.
- Aligning systems and processes toward reducing the effort of order management.
- Aligning people by consolidating and partially or fully automating work.

OMaaS provides a multifaceted value proposition. Because members of the cross-competency team are so closely connected, order management fixes can be identified, addressed and implemented quickly. This reduces the time to implement fixes from weeks or months, to days or weeks (depending on size and complexity).

The process changes enabled by OMaaS are profoundly affecting the performance of the order management organization. The initial impact on the operation is as follows:

- Significantly reduced order cancellation rates, resulting in millions of dollars of revenue gain.
- Automated over 275,000 order exceptions within the first three months of deployment.
- Closed three cost centers and reduced headcount significantly.
- Projected total order management cost savings of 30%.
- Rapidly increased automated volumes, replacing manual work requirements (see Figure 4).

As Automated Order Management Volumes Rise, Manual Work Requirements Decline

![Graph showing the rise in automated volumes and decline in manual work requirements over time.](image)
Meeting CSPs’ needs for optimized order management processes will not be easy. Only so much progress can be made from operational improvements that utilize greater levels of automation to supplement knowledge workers. Although CSPs can streamline work and make agents more productive, the law of diminishing returns applies. Significant and ongoing process improvements require a new approach to aligning customer service agents and systems in a way that will drive greater efficiencies as volumes grow.

Working with a telecom major, we pioneered a new approach to delivering order management as a service. Via OMaaS, this company standardized its processes, resulting in significant reductions in its cash outlays for order management by converting capital to operational expenses, with minimal upfront costs (see sidebar, on the previous page).

Preparing for the Future of Order Management

Given the challenges associated with offering complex and varied services to customers, companies with COMP attributes must ensure that they meet appropriate service levels. They also must address the business needs of more frequent and dynamic changes to products and services to support operational and market demands. OMaaS deal structures can allow for new strategic partners that embrace innovation and produce more dynamic support for order management needs.

However, implementing new deal structures requires preparation. Bridging the gap between the business and IT is key to determining the best path to order management maturity and overall productivity. Companies with COMP attributes must understand where they are and then use the following steps to optimize the order management process:

- **Stabilize.** Solidify the IT infrastructure and minimize the massive amounts of business operations support work, including manually handled order fallout and other BPO work.

- **Support.** IT systems and business operations support are in acceptable ranges but could be improved through optimized support models to handle increased volumes of order fallout.

- **Streamline.** It is necessary to support more frequent and dynamic changes to products and services that provide ongoing and constant re-engineering to ensure quality support.

These steps will set the foundation for extended options and flexibility for organizations to develop the business models necessary to be successful.

Robert K. Pucci is the Chief Technology Officer within Cognizant’s Communications Business Unit, advising clients on the recommended approach and solutions that provide the needed and desired business value metrics (TCO, T2M, T2D and reduced Op-Ex), while enabling non-disruptive extensibility to support future business initiatives and remain competitive. Robert has worked with major independent software vendors and tools and middleware providers and has identified which providers enable and contribute to true business value for CSPs. He can be reached at Robert.Pucci@cognizant.com.
Equipping Customer-Facing Teams with Just-In-Time Insights at Every Touchpoint

Delivering sales and marketing operations as a service can help organizations focus on core competencies and make more timely and informed decisions on everything from incentive compensation and business intelligence reports, through branding campaigns.

By Sriraman Nagarajan

Who knows your company better than your sales and marketing team? They constantly are on the front lines with customers and prospects, getting firsthand feedback about your products, services and how the marketplace perceives your value proposition. Strong sales and marketing is inarguably vital to a successful enterprise.

It’s also expensive. Consider the amount of information-related infrastructure required to support effective salespeople and brands: past sales history; call history; contacts and their preferences; current promotions and supporting material; territory design and management; competitive information; customer preferences; and local, regional and national sales trends. Then there’s the aspect of delivering these data and insights so they are continuously available wherever and in whatever format the salesperson requires. That increasingly means supporting tablet computers and smartphones.

Data must also be collected from salespeople quickly and accurately. Sales teams need timely, comprehensive information and reports to target prospects more effectively. The enterprise needs the data to design strong sales incentive programs, align resources appropriately to expected returns and calculate and disburse sales team bonuses accurately and promptly.
Add to this the grim reality of continuing tough economic times, and it becomes crystal clear that organizations across industries need a radical rethink of their end-to-end sales and marketing processes. Our work with leading life sciences companies is a great case in point. With uncertain R&D pipelines and the sun-setting of patent protection on many blockbuster drugs, there is no other industry where the pressure is as intense to grow revenues and uncover new markets for existing product lines, while reducing the overall cost of doing business.

Solving this intense challenge, in part, requires intelligent, insight-supported matching of resources to a brand’s sales potential. It also means faster identification of targets and better management of the relationships with them. Sales representatives must have more and better information and adapt strategies and tactics quickly as markets change.

Delivering sales and marketing operations as a service is one way that life sciences organizations can improve the effectiveness and efficiency of their internal sales and outbound marketing processes. Sales and marketing operations as a service offers life sciences organizations fundamentally new ways of not only optimizing and variabilizing cost components, but also implementing cloud-based models and powerful analytics to deliver better top-line results across individual brands. It also provides the resources necessary for collectively harnessing these technological and human resources.

Sales and marketing operations as a service offers life sciences organizations new ways of not only optimizing and variabilizing cost components, but also implementing cloud-based models and powerful analytics to deliver better top-line results across individual brands.

For example, we are working with a few leading life sciences companies to improve how they manage incentive compensation, as well as overall business intelligence and branding across all touchpoints. Our cloud-based service is equipping sales and marketing professionals with the just-in-time data and analytical insights needed to contend with persistently tough economic conditions and pursue new business opportunities.

Moreover, sales and marketing operations as a service is helping these companies break free of outdated operating assumptions and overcome entrenched organizational structures and behaviors. By embracing a service-oriented approach, they are slowly but surely shifting away from a costly Cap-Ex model that was instituted long ago to support the demands of new hardware and software and support staff acquisition. Instead, they are moving to a more flexible, pay-per-use Op-Ex model, which frees up resources to fortify the core competencies of selling and marketing, as well as molecule discovery and innovation.

Adopting a services-oriented approach also is positioning life sciences companies for the day when most sales and marketing processes will be standard, virtual and delivered by the cloud. In these environments, the key to competitive advantage is how well and to what functions an enterprise is able to apply data and insights derived from its sales force and marketing team. Early adopters have a headstart in developing these differentiators (see companion article, page 40).
We think all the benefits of sales and marketing operations as a service are transferable to other industries, albeit with some customization of key features and functionalities to accommodate market and process idiosyncrasies. In the following, we draw on our biopharma experience to outline the fundamentals of sales and marketing operations as a service, which are applicable to any complex sales and marketing organization.

**Clarity about Core Competencies**

It’s apparent that there is a substantial set of major systems, databases and applications supporting enterprise sales and marketing efforts. Yet none of these systems, data or apps actually does any selling or marketing. So, while they are important, they are ancillary.

When a salesperson requires a current target list of customers, does it matter if that data is delivered by an on-premises system or through a hosted service? The data is the tool the salesperson uses to carry out the core competency of persuading the customer or prospect and making the sale.

The key to using sales and marketing operations as a service effectively is analyzing those functions that are truly core to making sales and sculpting key marketing messages vs. those that support those activities. When a salesperson requires a current target list of customers, does it matter if that data is delivered by an on-premises system or through a hosted service? The data is the tool the salesperson uses to carry out the core competency of persuading the customer or prospect and making the sale.

Delivering such tools is expensive. Enterprises often must invest significant capital to periodically upgrade systems and software and support ubiquitous mobile computing platforms. Implementing a data warehouse internally involves hardware, design, reporting tools, help desks, upgrades and more. Delivering a warehouse and similar tools via a services-oriented approach enables companies to eliminate those costs. Further, they can reduce operating costs and make them predictable, paying only for the resources actually used. This approach also prevents enterprises from making capital investments in systems that may have shorter lifecycles than expected, while variabilized costs give them flexibility – an important objective given the supersonic pace of technological advances.

**Far from taking over sales and marketing operations functions, this approach enables enterprise sales professionals to carry out their core competencies more effectively.**

Identifying noncore competencies suited for sales and marketing operations as a service also uncovers ways to improve workflow and efficiency. Inefficiencies such as duplicated data entry, incompatible systems and outdated software become obvious, as do their effects: expensive maintenance, inaccurate or incomplete reporting and convoluted workflows. These issues can be solved with an experienced service provider. Far from taking over sales and marketing operations functions, this approach enables enterprise sales professionals to carry out their core competencies more effectively.
Further, efficiencies gained by adopting sales and marketing operations as a service often save resources and create insights that can be applied to core activities, not just in the sales and marketing area, but throughout the enterprise, as well. Leading life sciences companies are applying knowledge gleaned from existing product performance in the field to improving R&D and quality control operations. Further, reducing sales costs while simultaneously driving higher sales revenues gives an enterprise more options about how and where to apply savings, such as to research or pursuing strategic acquisitions.

**Analytics and Sales and Marketing Operations as a Service**

Sales and marketing operations as a service is highly effective in data management and analytics. Large sales and marketing organizations are constantly adding to vast stores of data about customers and prospects. In these data stores is the knowledge about which incentives get the best results, be they trends that could help an enterprise design future product and service roadmaps, or regional and local data that could reshape a brand’s future.

A common problem is connecting the data to get to this knowledge. In many enterprises, the sales and marketing data is spread across a variety of systems, not all of them interoperable. Reporting formats often vary as well, making comparisons and correlations difficult. Ensuring data security and privacy is another expensive, complex challenge. When organizations are global, the problems can be compounded.

**Using a sales and marketing operations as a service platform with a strong analytics component helps provide uniform, comprehensive reports that can reveal unforeseen marketing insights, such as recognizing that a promotion in one regional market is also driving demand in an adjacent region.**

Using a sales and marketing operations as a service platform with a strong analytics component helps assuage these issues and provide uniform, comprehensive reports that can reveal unforeseen marketing insights, such as recognizing that a promotion in one regional market is also driving demand in an adjacent region. The analytics could also indicate the need for a new product or a retooling of an existing offering. The analytics insulate sales and marketing from underlying systems issues, release insights and free decision-makers to focus on applying the data, whether to new campaigns, identifying new prospects or increasing the focus on top clients and improving the profitability of those relationships.

Leading providers also typically are leveraging highly secure platforms built for the most demanding, security-conscious clients in the financial services industry. Robust, proven security and privacy solutions and techniques – including encryption, identity management and more – are core to their sales and marketing operations as a service offerings. Providers with experience honed in highly regulated industries like healthcare and financial services have the process, IT and management maturity to make sales and marketing operations as a service a powerful, secure tool for any enterprise.

**A Flexible Delivery Model**

Sales and marketing operations as a service spans a spectrum of implementation possibilities that encompass an enterprise’s core competencies and existing infrastructure and applications investments.
These implementation possibilities include the following:

- **Resource virtualization:** In this model, an enterprise combines its platforms with a trusted service partner’s human resources to deliver services. The enterprise benefits from greater capacity and specialized, experienced resources and incrementally reduced costs.

- **Software and/or processes delivered as a service:** Under this scenario, the service provider supplies hosted applications and platforms to the enterprise’s professionals. This deployment enables the enterprise to reduce its capital expenditures, yet have access to strong, proven platforms. The per-user pricing structure is flexible and scalable, while the enterprise only pays for resources it actually requires and uses.

- **Business process as a service/managed services:** Here, the service provider supplies all the infrastructure and applications, as well as the human resources required, to deliver and manage the services needed. This model eliminates the need for investing capital and personnel in noncore systems, freeing the enterprise to focus its resources on its core sales and marketing competencies. Operating expenses are subscription-based and predictable.

The more noncore functions an enterprise is willing to release to a service provider, the greater the potential savings and efficiencies gained.

Sales and marketing operations as a service can be introduced in phases as the enterprise’s or industry’s definitions of “core” vs. “noncore” functions evolve. The more noncore functions an enterprise is willing to release to a service provider, the greater the potential savings and efficiencies gained. Enterprises also gain the agility to realign resources with more profitable, strategic and customer-facing roles.

**Extending Sales & Marketing Excellence**

While much of sales and marketing operations as a service can be transparent to decision-makers, it does involve change management and transformed processes – and that can lead to resistance. However, significant benefits can be achieved by applying unstoppable forces to catalyze seemingly immovable objects. The U.S. operations of one large global life sciences company that turned over its data warehousing operations to a service provider, for example, found that most teams appreciated receiving insights in 24 hours vs. two weeks so they could be more successful. That provides an incentive to teams less willing to embrace change. In addition, the company reduced operating costs in that area alone by 30%.

Sales and marketing clearly remain fundamental to enterprise business goals; what’s changing is how that important function can be supported. Sales and marketing operations as a service models enable companies to make their sales teams more informed and more effective, while saving time and money.

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Economic, industry and regulatory forces are having a direct impact on how life sciences and biopharmaceutical industries conduct sales and marketing. While sales professionals need to be more educated and service-oriented than ever, biopharma firms also are identifying noncore sales and marketing activities and how to streamline these.

One major player, Eli Lilly and Company, is relying on sales and marketing operations as a service to deliver enhanced business results. Like all major pharmaceutical firms, Lilly is operating in an evolving industry:

- Major drugs are coming off patent, hurting the company’s top-line and bottom-line performance. Lilly is responding in part by optimizing revenues from existing brands and new extensions of them, while improving operating margins.
- Pricing pressures are growing. In response, Lilly has focused on improving productivity while reducing costs. Between July 2004 and December 2010, the company reduced its headcount by 16%. It improved its operating margin by $1 billion from 2005 to 2010 and is on track to meet or exceed its goal of reducing its cost structure by $1 billion by year end.
- Personalized, patient-centric pharmaceutical therapies are the industry’s future. Lilly has stated its mission is to become “the most customer-focused pharmaceutical company in the U.S. market.”

Lilly’s sales and marketing (“commercial operations”) functions are critical to its ability to navigate these issues. These operations help the company sharpen its focus on “understanding and exceeding [its] customers’ needs.”

However, its commercial operations processes were expensive to operate because they were based on an inflexible, fixed-cost internal platform and applications and outsourced functions supplied by multiple vendors. Further, its IT ecosystem did not deliver timely, comprehensive brand performance information and insights. Lilly required more flexibility to adjust sales force strategies and brand budgets based on market feedback; identify its best customers; bring additional value to those relationships; and improve top-line results.

Yet growing revenues from existing brands, being more service-oriented toward customers and streamlining commercial operations systems and processes had to be accomplished in tandem with Lilly’s...
The overall goal of reducing its costs. The company’s answer to this dilemma is sales and marketing operations as a service.

### Shifting the Core

Lilly began by identifying its core and non-core commercial operations processes and then investigated service providers that could provide significant capabilities across the entire value chain.

Which functions are core to a company or industry are always evolving. For Lilly, core functions are clearly therapeutic innovations and being customer-centric. In this environment, strategic analytics was one key area among others identified as a “noncore” process. The company’s goal was to hire a partner to provide end-to-end services, including sales force planning, sales incentive compensation, customer relationship management, business reporting, data warehousing and state compliance reporting.

The objective was not just to reduce operating costs and improve flexibility and agility but to shift sales resources toward higher-value, customer-facing activities and equip sales reps to succeed at those by providing more and better insights and information whenever and wherever they are required.

### The Solution

Lilly turned to us to deliver a solution that encompasses all these benefits and also integrates aspects of processes supported by new technologies and platforms the company deployed internally (see Figure 1). With strong analytics as a foundation, the sales and marketing operations as a service solution manages:

- **Brand optimization**, including segmenting and targeting markets and modeling the impact of the promotion.
- **Sales force size, structure and forecasts** for optimal resource allocation.

### Sales and Marketing Operations as a Service In Action

**FIGURE 1**

![Diagram of Sales and Marketing Operations as a Service](http://cognizanti.cognizant.com)
● **Sales deployment**, designing sales territories and aligning field and management resources with those.

● **Sales operation plans**, designing call plans and supporting team-based sales.

● **Sales quotas, incentives and compensation**, including implementation, administration and reporting and measurements.

● **Sales operations and measurement**, such as sales performance tracking and reporting, ROI analysis and sales force effectiveness reports.

By turning these supporting sales and marketing functions into services, Lilly expects significant cost reductions, on-the-fly transformation of data into insights, vast improvement of customer services and the ability to deliver strategic analytics for specific brands, thereby increasing sales.

● Streamlined analytics delivered as a service can quickly pinpoint regions, states or metropolitan areas with forecasts indicating potential demand for a specific brand. The complementary sales and marketing operations as a service functions can align sales team resources against the targets and determine the appropriate mix of marketing activities across multiple channels, including e-mail and social networking.

● Brand performance forecasts based on predictive modeling enable better budget planning so resources can be allocated to brands with stronger outlooks, while timely reporting enables the company to quickly adapt to changing market realities.

● CRM delivered as a service gives individual sales representatives up-to-the-minute data about a specific physician or managed care group and the needs of the patient population served. Sales reps are then more knowledgeable about their customers’ needs and better prepared to meet them, resulting in more successful sales calls.

● Hosted incentive compensation management services provide sales representatives with fast, accurate feedback, reinforcing and rewarding their efforts, while giving management more insights about top performers.

Many costs that were once fixed are now consumption-based, so Lilly only pays for the capacity it requires at a given point in time, such as how many sales professionals are involved in a specific incentive compensation program. In addition, some savings from reduced costs and increased productivity can be applied to other innovations.

While it is still early in this engagement, variable operating costs and reduced capital investment — plus insights and knowledge delivered where and when they are required — are already transforming and streamlining Lilly’s sales organization. Sales and marketing operations as a service is extending Lilly’s financial and organizational flexibility, enabling the company to respond to business challenges, create market opportunities and enhance the long-term growth of its business.

**Footnotes**

1 Quote from David Ricks, president, Lilly USA, in news release, “Cognizant Selected by Lilly to Deliver Commercial Operations Solutions to Enhance Sales and Marketing Effectiveness, Business Performance,” January 20, 2011.

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Governing in the Cloud

As BPaaS goes mainstream, organizations must think beyond service levels and embrace a business outcomes mindset focused on tighter collaboration across people, process and platform dimensions.

By Anbu Muppidathi

Organizations that are considering or have started migrating from traditional business process outsourcing (BPO) to business process as a service (BPaaS) models are coming to the same realization: A strong and tailored governance plan is required to help them achieve the full benefits of cloud-enabled business services delivery.

Getting there means taking advantage of two major transformations that are reshaping the global business services landscape. These forces are paving the way for BPaaS to be embraced as a preferred method of service delivery.

- **Trend 1:** The first trend combines the irrepressible and interconnected forces of accelerating globalization, virtualization, changing demographics and next-generation technology, in which the cloud is powering new forms of collaboration, enabled by emerging social and mobile forms of computing.

- **Trend 2:** The second transformation concerns the ongoing evolution of governance practices, which have morphed over the last decade from a management-by-measurement obsession on meeting service level agreements, to a more enlightened and precision focus on the provider’s ability to deliver on the customer’s mutually agreed upon business outcomes.

BPaaS is the result of these two transformations. It reflects the most important mega-trend of the last decade, one whose benefits can only be harnessed through a balanced mix of governance tactics: managing relationships, service levels and business outcomes. Although BPaaS and other cloud-based services come with the promise of reducing management overhead and greater business performance, it is not possible to achieve either without effective governance.
Three basic steps should be considered when redefining the essential elements of governance:

1. First, senior executives need to think about how to adjust existing processes to accommodate the nuances of BPaaS deployment.

2. Next, management measures should be shifted from supplier service levels to buyer business outcomes, thereby providing tighter top- and bottom-line relevance to the provider’s performance level.

3. And finally, priority should be given to establishing proper collaboration environments for continuous and managed innovation.

Following these three steps will lay a strong foundation for a successful BPaaS deployment.

Adjusting the Building Blocks of Governance Structure

Conventional governance of global delivery models has traditionally focused on people, products (i.e., applications), financials, infrastructure, data/information/knowledge and security. All processes that drive these functions will undergo massive change as BPaaS transitions from the organizational fringe to the mainstream service delivery model.

1. **People**: Processes should be adjusted to accommodate the growing number of millennial workers (and those with a millennial mindset) to enable an “anywhere/anytime” global work environment. Keep in mind that millennials will be (if they aren’t already) a major component within the provider workforce. Their work style embodies unique characteristics, including a preference for working collaboratively, using social and mobile computing tools. Even though the customer does not directly manage the actual workforce in a BPaaS model, it is important to understand the nature of the workforce to attain the best outcomes, directly or indirectly. Understanding the nature of the millennial worker will also help enforce certain standards in the way service providers administer their workforce. After all, it is from these resources that the customer can expect value through innovation, productivity, etc. For example, learning, rewards and recognition, induction and the quality of the work environment are extremely important to millennials compared with previous generations. Though customers do not manage these efforts directly, they should continuously check the pulse of the providers’ workforce to ensure proper attention is paid to these processes.

2. **Products**: Typically, business processes that are offered as a service are complete applications developed by service providers that can be customized by/for customers and delivered over the Internet via private, public or hybrid clouds. Governance processes should cover these applications, their performance, future releases and so on. It is very important to think through and negotiate upfront how changes are made, particularly when business demands change. Critical performance parameters such as application availability, transaction volume, frequency of reports, error handling and fault-tolerance should be thought-through and covered by governance agreements.
3. **Financials**: Without a complete understanding of the total cost of ownership (TCO), it will be very difficult for organizations to establish an effective cost structure for the BPaaS model. Proper baselining will help define the cost and associated productivity expectations for the future. Companies should also be familiar with non-financial aspects that impact financials, such as the quality of the work product (e.g., the cost of quality will significantly impact the overall cost of ownership) and the service provider’s ability to train/retain talent delivering services via the cloud. These elements often do not show up in the contractual fine-print of BPaaS deals, but organizations pay dearly if time-to-market is compromised and/or other opportunity costs emerge.

4. **Infrastructure**: Decisions to leverage private, public or hybrid clouds are extremely critical, as is a keen understanding of supplier standards covering key infrastructure components such as network, connectivity, workstations, databases and storage. Conventional delivery models such as business process or IT global sourcing typically required buyers and providers to define standards for specific infrastructure components. These standards were in the form of customer-defined technical specifications to which the provider was expected to adhere. Servers (application and data) typically resided within the client network or in an isolated/trusted network. Buyers had more than adequate control over these infrastructure components. In a BPaaS model, the service provider has full control/management responsibilities over these infrastructure components. Hence, it becomes necessary to establish, or at least understand, the standards for these components to make sure there is alignment between provider and customer standards. This assessment can help organizations decide whether to utilize private, public or hybrid clouds. Keep in mind that overdoing or over-analyzing the infrastructure components will dilute the true managed-services aspects of BPaaS. Also, keep in mind that the more involved the customer is in defining standards, the more management overhead that is incurred.

Keep in mind that overdoing or over-analyzing the infrastructure components will dilute the true managed-services aspects of BPaaS.

5. **Data, information and knowledge**: BPaaS introduces a new set of challenges for administering data, information and knowledge. Business processes are part of the core competency for any business. When customers hire a partner to manage core business processes, providers get the opportunity to learn more about these processes. It is important for the customer to tap into this knowledge to help drive continuous improvement and healthier business outcomes. Service providers may have sophisticated knowledge management and collaboration systems, but for value to be gained from BPaaS, buyer and customer organizations must collaborate to attain pre-established business performance goals.

6. **Security**: Concern over security is among the many reasons why cloud adoption by businesses has not lived up to earlier expectations. Because companies are not accustomed to the business and technological implications of managing cloud-powered software, platform or infrastructure services, a slew of new security standards are emerging to meet baseline expectations. However, it is difficult to define security requirements in advance without compromising the organization’s BPaaS objectives. Industry trends and organizational culture will play a vital role in establishing cloud security standards. For example, the financial services sector will require much tighter controls compared with other industries due to more stringent regulatory compliance requirements. The governance team will play a vital role in negotiating these standards.
Switching Focus from Supplier Service Levels to Business Outcomes

Generally speaking, today’s governance models suffer from metrics overdose. Most measures pivot around supplier performance levels. Such metrics, however, are perceived to generate limited value. One reason: There is no easy way to translate between provider service levels and the organization’s business performance. Hence the term “value” is always debated. There is a continuous and ever-widening gap between what the business and IT teams view as the value service that providers deliver.

The focus must shift from supplier service levels to customer business outcomes. By doing so, suppliers can attain a much greater level of opportunities for innovation and better value creation. For example, when it comes to a trade management system at a financial services company, reducing the “cost-per-trade” is far more relevant than reducing the supplier’s “blended rate.” In a customer management system, “customer on-boarding time” is considered more important than the “time taken to staff a position.” The governance team should establish the connection between service levels and business outcomes and gradually shift the focus completely to measures that contribute to top- and bottom-line performance improvement.

BPaaS models naturally introduce business outcomes as the expected service level. Customers don’t manage the software components; hence, it may not make much sense to establish operational parameters as service levels. By establishing proper business measures, the risk of “value leakage” can become more of the supplier’s responsibility. Once business outcome is established as the expected...
service level, it will be much easier to track the financials along the same lines. This will help the organization effectively establish the cost structure, a reward/penalty structure and year-over-year expected productivity improvements. As the focus changes from external to internal performance parameters, organizations should be able to compare their BPaaS effectiveness with others in the marketplace. Above all, business and IT must track the effectiveness of BPaaS delivery with one set of measures.

By establishing proper business measures, the risk of “value leakage” can become more of the supplier’s responsibility.

Collaboration for Innovation

BPaaS is symbolic of the rising age of ultra-specialization. When customers and suppliers collaborate on these specialized services, they strengthen their engagements. As business processes are provided as a service to multiple clients by multiple service providers, the concept of shared value across an industry segment becomes possible. Members of the governance team should start thinking about networking with other customers that consume similar services. When suppliers collaborate with their peers (a.k.a., the competition), they find ways to further strengthen their products and services, which improves the value delivered to all customers. Similarly when customers and their service providers collaborate with their customers’ customers, they find ways to understand collective industry business value, which eventually strengthens their business. Hence, collaboration should be an inevitable function of BPaaS governance.

Enhancing Values Through Collaboration in a BPaaS Model

FIGURE 2
Collaboration is increasingly being facilitated by a new class of social computing tools. However, there is a serious mismatch in the pace with which social tools are being put to use by the current generation of workers in their personal vs. their professional lives. The governance team should be tasked with establishing managed collaboration, which – at least in the beginning – requires collaborating on select topics with select stakeholders, using tools that share knowledge in context and in real-time to make it actionable. Since BPaaS is a specialized solution, collaboration can be deployed and limited to specific areas of the organization.

Collaboration on key activities and sub-processes can be made more constructive and outcomes-oriented. As such, endless debates on unimportant topics can be more easily avoided. Similarly, organizations must ensure that only the individuals with the most to share and gain from collaboration can do so during the early stages. By taking this approach, successful collaboration processes can be gradually rolled out to the rest of the organization. Furthermore, the collaborative mindset can also be gradually introduced to the entire organization. While providers can be asked to facilitate the roll-out of collaboration systems, the governance team should organize periodic qualitative assessments to judge the success of the roll-outs.

Keep in mind that it is easier to implement provider processes if the organization uses similar practices. Concerns around suppliers’ “value additions” in terms of innovation, collaboration, knowledge management, etc. fall into this category. It is also important that leaders begin collaborating first, before expecting their teams to collaborate. Establishing working models is extremely important to enabling the rest of the organization to follow suit.

Conventional governance models struggle to create collaborative environments for their employees and service providers, as well as other partners and customers. This limits value creation. In a true managed services model such as BPaaS, there are mutual benefits to establishing collaboration. In fact, there are more benefits to suppliers than to customers. As suppliers collaborate more effectively with their customers, they strengthen their applications and associated business processes – a process that eventually makes their own businesses stronger. Customer organizations should take advantage of it.

Controls Count
As BPaaS offerings evolve and mature, governance processes should evolve in parallel to enable organizations to better manage the engagement and derive greater value. It is extremely important to put the structural components in place for companies of all sizes and shapes to have meaningful control over key BPaaS components. Balancing the level of detail in managing these components is certainly a challenge. The only way that this can be achieved is by having a clear understanding of the aforementioned components. Organizations and service providers should work together by first establishing controls and then managing to them to ensure ever-improving outcomes for both parties.

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We Better Have a Plan B for the ‘Something About Services’ Era

As the Future of Work plays out, the initial results aren't quite what many CIOs were expecting. To support changing business strategies, IT needs a new model and structure, codified by fresh operating principles, to fully leverage emerging alternative service delivery models.

By Bruce J. Rogow

The CIO of a major financial institution recently summed up what many executives have been telling me in bits and pieces. “Given the [business] situation we face, our current IT strategy is only making matters worse. We are busy as hell but circling the drain. We’ll only fall further behind the demand curve and miss expectations.”

Not all industries face such a frustrating situation. However, almost all the CIOs I visited this year describe a torrent of unrelated bits and pieces that signal dramatic change is already underway.

The increase in activities and challenges of the past years indicates we are entering the second phase of a new era that Cognizant calls the Future of Work. I haven’t heard a crisp definition of this new era, but all that I am hearing and seeing says this era is “Something About Services.” The basic model and expectation is shifting from getting better/cheaper at building, maintaining and delivering IT systems, to seeing that an enterprise has the IT-enabled service capabilities it needs.

However, only 20% of those I’ve interviewed described a big-picture need for an overhaul of their basic IT business model. The vast majority plan on the same course while dabbling with or piloting a few new efforts. The remaining 80% will need to consider a midcourse correction, and fast, if they are to survive the times ahead.
We face a new era in which a robust set of underlying challenges and expectations are changing the game. IT organizations are already flooded with existing commitments, and new demands from the business are overflowing the governance seawall. IT needs to change its business model to function at a higher level or be swept aside by the demands for additional capabilities.

Challenges Revealed

Since the fall of 2010, almost all business and IT executives I have interviewed describe the profound change in the scope, scale and pace of fundamental business-IT. (These executives tell me they are moving from taking notice of the issues, to sorting out and responding to the challenges that are landing on their desks, daily.) How do you know if you are entering the Future of Work, or Something About Services era? If you are experiencing over 40% of the business and IT challenges below, you have already entered into the second phase.

The Business Challenges

1. **Global, to Transnational:** Most business growth is external to your native country. When this occurs, almost every aspect of the enterprise must be re-thought as it moves from monolithic global product lines, supply chains, processes and go-to-market strategies in which most decisions are made centrally, to a transnational model that allows most decisions to be made closest to growth opportunities.

2. **Size, to Agility:** Global size, efficiencies and scale are often beaten by much smaller and less capable but more adaptable local competitors that do not have to contend with bureaucracy, complexity and asset base, as well as both internal and customer-facing silos.

3. **Cost Efficiency, to Greater Business Revenue and Yield:** Many companies believe they are nearing the diminishing returns on increased efficiency efforts. They now want to generate new revenues and increase the yield from such assets as products, processes, intellectual property, markets and the capabilities of their staff.

4. **Continuous Improvement, to Business Arbitrage:** Broad-based efforts to increase efficiency become less important than being able to spot detailed market opportunities and respond appropriately to them before the opportunity evaporates.

IT matters, and it matters that IT be at the front end of the business development process.

The IT Challenges

1. **Afterthought, to Pre-Thought:** Increasingly, business differentiation and success involves or requires responsive IT capabilities. IT is no longer a sideshow. IT matters, and it matters that IT be at the front end of the business development process.

2. **Monolithic Portfolio, to a Cornucopia of Portfolios:** IT has been primarily focused on internal process efficiency, structured data, transactional systems of record and support of end users. The evolving demands for revenue-generating systems, IT embedded in the products, IT-based services, collaboration spaces and social media, support of unstructured data, access to outside information, sensor-based systems, customer support and business intelligence will likely at the very least triple the size of the applications and support portfolios over the next decade.

3. **‘We Do,’ to ‘Get ‘er Done:** Today, IT capabilities are provided and supported either in-house or with the help of a partner. A broad range of alternative IT delivery vehicles (ADVs) – such as cloud (public, private or hybrid), software as a service (SaaS), platform as a service (PaaS), public infrastructure, public or proprietary application merchandisers
and users bringing their own devices and social networks — are increasingly providing alternatives to the current model.

4. **IT Budget as Control, to Unfunded Liabilities:** Controlling IT spend has meant control of IT. IT budgets are relatively flat, but the business increasingly requires and funds an insatiable demand for new IT-oriented capabilities regardless of the IT budget. Most user demands ultimately require IT support resources, and there is no budgetary provision for such support either in the business or in IT.

5. **Core Legacy Supported, to Search for Scarce Legacy Artisans:** The legacy remains, but the legacy staff is retiring. Each day, the legacy grows and becomes more crucial, complex and inter-related.

6. **One IT Size Fits All, to IT Fit for Purpose:** IT is organized to provide standardized, often locked-down, one-size-fits-all, common global IT, but the business demands fit-for-purpose IT across hundreds if not thousands of local markets.

7. **Utilitarian IT, to Consumerized Offerings:** IT delivers “utilitarian take-it-or-leave-it” applications based on IT-dictated technologies; however, enlightened users and customers demand engaging, consumerized services, often based on technologies of their choice.

8. **Adequate, to Inadequate Third-Party Service Provider Governance and Supervision:** Critical IT directional and governance skills such as IT strategy, enterprise architecture, project/program management, business analysis, user experience and evolving technologies are scarce or inadequate to meet increasing demands (see related article, page 45).

9. **Long-Term Investment, to Short-Term Accommodation:** IT tries to provide long-term solutions, but vendors, IT delivery models, technologies and application spaces, such as mobility, collaboration and business analytics, are too volatile for long-term investment.

10. **Large Programs, to Local “Project-ettes:**” IT has been about large, global projects and systems. Much of the new demand for things such as enterprise mobile apps, revenue-generating capabilities and collaboration systems come in small, fragmented pieces that best fit local needs.

Individually, we have seen many of these challenges before, to some degree. Taken together, these Future of Work-driven challenges will cause current IT to die of a thousand little cuts unless a new model is envisioned and enabled. As in the ‘80s, the business and IT must morph into a new IT-business model.

Hopefully, your organization is already experimenting with the aforementioned transitions at the beachhead level of individual pilots, proofs of concept and general knowledge building. It is now time to concentrate on building a base camp for eventual deployment of the services-driven environment. The primary objective of the base camp phase is to establish management frameworks, prove the pilots can be developed to a more institutional level, provide a base of practice for further deployment, lay out a roadmap and build support for the transition and scaling required ahead (see Figure 1).

**What is the New Business Model for IT?**

Over the years, the IT business model has shifted from building and running custom systems, to customizing packages, to adding the support of end users, to acting as systems integrators for large-scale ERP and COTS (commercially available off-the-shelf) systems, to directing third-party service providers. No one can be sure what the IT business model for the Future of Work era will consist of or how it will evolve. The expectation most frequently mentioned in my interviews is for IT to become the enabler of easily understood, user-friendly, transparently priced consumerized services. This includes apps for end-user devices, as well as services that can be used consistently by IT professionals throughout the transnational landscape. It goes well beyond creating communities of interest or thought leadership centers of excellence.
Such an expectation also goes well beyond mastery of capability maturity models or the service delivery and support concept embodied in ITIL v3. Most large, global IT organizations that I’ve visited already have over 10,000 individual applications! They have hundreds if not thousands of IT professionals, third-party resources and IT-savvy users. In an era of IT consumerization, IT professionals, business leaders, third-party providers and savvy users are just beginning to think up new ways for IT to help the business. The current approach of providing unrelated one-off solutions will bury IT in the future and only further confuse and frustrate end users.

From the board of directors level down, the IT role must transition to one of being the enabler of a managed family of interoperable IT services that materially contribute to the business.

From the board of directors level down, the IT role must transition to one of being the enabler of a managed family of interoperable IT services that materially contribute to the business. Each of those words is carefully chosen. Not everything that IT provides or sanctions will fit into the neat structure of such services. There will still be custom development, package installations, user support, large-scale systems integration and the need to manage third parties. However, the highest levels of IT leadership must look to enable the enterprise with a managed collection of IT-oriented services. If 30% to 40% of the yard sale of what IT does can be rationalized, organized and cataloged as a managed service, a more enabling and manageable future awaits.

If IT is focused on the underlying tasks of the past 40 years and does not evolve to the higher role of a managed collection of services, it is likely the enterprise will:
Be limited in its competitiveness by missing major opportunities.

Suffer from operational shortcomings resulting from hoards of uncoordinated, often dysfunctional, sub-optimal “solution-ettes” that are flooding the market on a global basis.

Damage the company’s brand as customers and staff deal with a bevy of inconsistent and segregated IT support functions.

Dramatically raise the cost of technology support due to increased complexity, redundancy and the integration effort required.

Face an almost impossible challenge of putting Humpty Dumpty back together again to regain manageability.

Maxims of the Something About Services Model

Many years ago, a mentor of mine told me that businesses — and, likewise, IT managers — who focus predominantly on the individual tasks and issues on their desk will only dig their holes deeper. The new business models required take 5 to 10 to 15 years to be envisioned, understood, developed, improved and deployed. New business models must be aimed at the situation to be faced rather than the one on your desk. The winners will be businesses and IT executives who spend at least 40% of their time envisioning, transforming and enabling their business for several years from now.

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My mentor also suggested that at the outset, most new business models were not clearly understood. He suggested that organizations must start with the situation to be faced and then work out a set of high-level enabling principles that would continuously be refined to guide an iterative learning journey. This philosophy has paid off handsomely. His multi-billion-dollar business has grown from less than 5% market share to between 25% to 60% in most of its global products and markets. Most of his competitors are out of business or struggling. For 30 years, this company’s business and IT models have been aimed at the next turn of the business cycle, even though the leadership team was unsure of what the new model should be.

Over the years, I have watched CIOs and businesses struggle through era changes. By far, the ones who have capitalized on the era changes — rather than becoming victims — started with a principles approach.

However, fewer than 20% of the IT executives I visited over the last year could show me a robust, crisp suite of principles or maxims that deal with the era change underway. Nevertheless, I’ve assembled the bits and pieces of these IT leaders’ input that relates to the future rather than the past. This ensemble of principles may serve as a good place to start as your IT leadership begins the transition to the “Something About Services” era.

Consider the following when creating new IT principles or maxims:

1. The new era and its issues must be socialized: From the board down through the entire enterprise, forums must be found to introduce the new era and its opportunities, threats, challenges and issues. Expectations must be reset from the current perspective of IT being relatively mature, structured, crisp and objective, to being fuzzy, evolving and often ambiguous.
2. The role of the IT business model must be expanded to encompass the onslaught of all the emerging technologies, services, delivery alternatives and application types.

3. IT must change its remit, processes, skill sets, organization, measurement and governance to provide leadership, direction and inspection for an environment where IT can’t make all the decisions and yet must work toward maximum business contribution.

4. IT will move from being the builder, provider and operator of most things IT, to a fit-for-purpose, service merchandising and enablement model.

5. IT must elevate from providing IT-oriented functions, capabilities and processes, to providing enterprise platforms for transnational deployment, service assurance, informatics and business intelligence, collaboration and social networks, mobility, integration of outside services and open, device-independent but secure access.

6. Wherever possible, IT should try to repackage everything it does, offers and assures as a family of easily understood, user-friendly, transparently priced consumerized services. The goal is to have a menu. To the greatest degree possible, users and IT professionals can order anything on the menu but are discouraged from messing with the ingredients.

7. Wherever and whenever possible, IT should use the emerging era to rationalize duplication and identify existing activities that should be phased out.

8. IT must work to develop new roles, skills and processes that will be required to enable the “Something About Services” era. Enabling the Future of Work era will require new capabilities that are a well-coordinated combination of people, skills, styles, processes, experience, technologies and governance. These new roles include:
   - IT capability merchandising
   - Audencing and media management
   - Platform architecture
   - Assurance management
   - Service management
   - Asset management
   - Brand management
   - User experience studios
   - Platform management
   - Greatly enhanced IT financial management

This list of principles is just a start. Please visit my Cognizanti blog on the Future of Work to view more detailed descriptions of these principles, as well as the new capabilities. Please debate these, enhance these and add to the list.

Footnote
1 Dr. Marianne Broadbent, formerly of Gartner, and Dr. Peter Weill of CISR have suggested a similar approach based on maxims.

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