The New Process Genome
Re-coding Business Process Work to Thrive in the Modern Digital Economy

To simultaneously reduce costs and drive business innovation, enterprises need to re-imagine their operating models. This requires investment in technologies that integrate and automate processes, use analytics to improve information and collaboration, and incorporate best practices through a global delivery model.

By Paul Roehrig and Ben Pring, co-directors of Cognizant’s Center for the Future of Work, and Vineet Malhotra, Senior Director, Cognizant’s Business Process Services Practice
Preface

For today’s business executives, change is fluid, relentless and rapid. Leaders will have to rely on both their imagination and new technologies to significantly improve how – and how well – their business processes work. Those who cling to “business as usual” may face near-term performance degradation within their organizations. Maintaining the status quo is already inhibiting companies’ revenue growth, technology innovation, productivity and business agility.

This white paper reveals new insights into the state of business processes, examines a new role for shared services, and provides practical and important guidance on how to begin to re-code business process architectures to win in the modern digital economy.
Executive Summary

Concurrent economic pressures, changing demographics and maturing technologies are driving decision makers to rethink how their businesses – as well as their employees – work in ways that add more value within and outside the organization. Today, as technology continues to evolve at a stunning pace, people and the companies they serve must accommodate this rapidly changing environment.

Anecdotally, we know that work processes in industries such as banking, healthcare and insurance are undergoing significant changes, and that business as usual has already lead to performance degradation for many.

In this context, we studied 247 large North American and European financial services, insurance (property/casualty/life) and health insurance companies, and found that managers have serious concerns about the health of their business, and how relevant their processes will be over the next 24 to 36 months (see methodology, page 22).

In fact, many leading executives told us loud and clear that maintaining the status quo is already inhibiting their organization’s cost savings, technology innovation, productivity and business agility. Although it is still early days, best practices, new research insights, and even some early winners tell us that a shift has already started and will accelerate quickly.
Reorienting the Enterprise at the Business Process Level

In 1993, Michael Hammer and James Champy wrote “Reengineering the Corporation.” Since then, armies of consultants have worked hard to help business leaders re-work traditional business processes. While business modeling tools such as Excel and Visio have helped organizations improve workflow, newer technologies such as social media, mobile, analytics and cloud (the SMAC Stack™) – coupled with global service delivery, innovative commercial models, and a new approach to collaboration – are driving a new era of process modernization. Banks are reimagining front-office work. Insurance firms are rethinking how to process claims. Life sciences companies are reinventing the clinical trials process. Just as reengineering the corporation was the rallying call of the 1990s, reimagining the enterprise is now the focus – starting at the process level.

Over time, business processes have been standardized, outsourced, off-shored, in-sourced, shared, re-outsourced and sometimes ignored – primarily to save cash. But with the transformation of work and commerce and accompanying challenges and opportunities – the rush to cut costs and remain competitive – keeping processes agile and adaptable has not been a top priority.

73% of core business processes will need to be modernized to meet cost, agility and new market pressures over the next 24 to 36 months.

Although many companies are still chained to yesterday’s operating assumptions, progressive leaders are rethinking work processes that are often difficult to change and hardened against new technologies – social media, mobile, analytics and cloud in particular – that could save money and power new business models.

No More Business as Usual

It’s human nature to believe that what has worked well in the past will work well in the future, and that’s the problem. The majority of the 247 executives we surveyed recently expressed concerned that without better process performance, their businesses will be at risk.

The good news – if you can call it that – is that smart decision makers see the cliff. In fact, they indicated that 73% of core business processes will need to be modernized to meet cost, agility and new market pressures over the next 24 to 36 months (see Figure 1, next page).

Decision makers also clearly recognize that staying the course will lead to performance erosion over the next couple of years. In fact, they expect all but one process of the 22 we studied to lag behind business expectations (see Figure 2, next page). For example:

- **The banking front office is not safe.** Financial services firms predict that the biggest gap between process performance now and in two to three years will be in front-office functions, new product/service development, and finance and accounting work.
- **Healthcare client-facing work will be challenged.** Health insurance companies predict that the largest shortcomings will be in claims processing, client management and sales, medical management, and finance and accounting.
Insurance new business threatened. Property, casualty and life insurers say that their organization’s finance and accounting, new business and underwriting, and client management and sales processes will be most susceptible to performance declines.

Process Standardization Inhibits Growth and Agility

To dramatically reduce costs, cut error rates and reduce cycle times, companies have standardized the often disparate workflows used to perform work (i.e., issuing invoices, collecting on receivables, responding to customer post-sale inquiries, etc.). Technologies are similarly standardized (for example, a common accounts receivable software package, the same invoicing system or the same call center software).

Stay the Course? Get Ready for Eroded Performance

Response base: 235 business decision makers
Figure 1

Response base: 242 decision makers
Figure 2
As a result, while standard processes and technologies are a big source of cost reductions, they are often difficult to reengineer (much less reimagine), and have led to commoditization. This may be good for cutting costs and streamlining operations, but it doesn’t position the business and its underlying processes for growth (for instance, entering new markets, designing better products and services, and generating more revenue).

A senior IT executive in a US$5 billion U.S.-based investment firm told us that standardization is blocking real-world business agility.

“There is a mismatch growing between the direction of our processes, which are driven by lean [process improvement] concepts, and the desire by our functional managers for agile processes to handle globalization, new financial products, and so on.”

Lack of agility exacts a high price. The executives we surveyed predict process performance will degrade an average 7% over the next two to three years if they do nothing to enhance it.

This executive also indicated that agility is typically not hard-wired into the shared services engine.

“Rapid response to change has not been the driving purpose of the methods we have been following in our shared services centers. Waterfall charts and the belief that you can schedule 40-hour tasks two years from now have been matters of religious belief here.”

Lack of agility exacts a high price. The executives we surveyed predict process performance will degrade an average 7% over the next two to three years if they do nothing to enhance it (see Figure 3).

Interviews with our study participants underscore these worries. For example, a senior executive at a US$14 billion U.S.-based bank expressed considerable concern about the institution’s ability to rapidly develop and support new financial products.

Expected Process Degradation Over 36 Months, if no Improvements Made

Response base: 242 business decision makers

Figure 3
“We have greatly increased our number of products, and now we need to get new products out the door faster and be able to service those products. That adds a lot of pressure to [improve] processes.”

A breakthrough technology is seldom the complete answer to any real business problem. Even so, decision makers increasingly recognize that maturing new technologies can help organizations improve performance and decrease operating costs.

## Closing the Technology Gap: The SMAC Stack

New technologies such as social media, mobile devices and applications, advanced analytics and cloud-enabled solutions (the SMAC Stack) – are beginning to transform work processes and business models. At the same time, business-technology decision makers very clearly recognize that their organizations are already at risk due to their slow adoption of these rapidly maturing technologies. Executives who expect their process performance to erode over the next two to three years indicate that inadequate technologies and outdated approaches to work will drive process performance erosion (see Figure 4). To fill this gap, they cited two key requirements:

- **Better tools.** Inadequate tools and technologies will clearly hinder process performance. In fact, roughly 55% of processes will suffer as a result. We know that social, mobile, analytics and cloud-enablement technologies can be immensely valuable in re-forming processes. The anticipated impact depends on the technology (up to 85% of processes can be improved through better use of mobile technologies, as shown in Figure 5 on the next page).

- **The need to reimagine work.** Our study findings show significant opportunities for incremental process enhancements through process standardization, cost reduction and quality improvement. But the real value will remain illusive without a comprehensive re-evaluation of work functions. This does not imply an academic meditation; rather, a serious reconsideration of “How?” “Why?” “What could be different?” aligned with core enterprise work.

## Process Tools and Approach Threaten Performance

Which of the following could contribute to process degradation?

<table>
<thead>
<tr>
<th>Percentage of Process Degradation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate Tools</td>
</tr>
<tr>
<td>Outdated Approach</td>
</tr>
<tr>
<td>Non-standardized</td>
</tr>
<tr>
<td>Too Costly</td>
</tr>
<tr>
<td>Poor Quality</td>
</tr>
</tbody>
</table>

Response base: 212 business decision makers.

Figure 4
SMAC Stack + Process Work = New Value

There is a technology revolution unfolding around us. The SMAC Stack is ushering in a wave of new business possibilities and operational opportunities that are rapidly changing how enterprises think about work.

- **Social functionality is a hot button for enterprises.** Social media functionality has become widely and rapidly adopted by individuals. Now, leading-edge enterprises are trying to incorporate similar functionality into their business operations (see Figure 5).

- **The enterprise is on the move.** Mobility is quickly rewiring work. Mobile devices, including smartphones, have become hand-held computers – intermingling “work” and “life.”

- **“Making meaning” is reshaping business economics.** Torrents of data are generated by people on social media sites (increasingly accessed via smartphones, tablets and other devices, soon to include eye glasses and clothes) – revealing the benefits to be gained from these digital streams (see Figure 6, next page).

- **The future of work is still cloudy.** The Internet has morphed and evolved into “the Cloud.” What was once simply a transport protocol is now also a development environment and a management platform. Cloud providers now offer customers everything from “Mechanical Turks,” to storefronts, to computer processing power, logistics fulfillment and expense management services, for example.

Process Decision Makers Now Crave New Business-Technology Solutions

Over the last 18 months, a wave of new consumer-grade technologies has landed on the shores of corporations across America and Europe. Now, the race is on to leverage the benefits of these new capabilities and capture new and higher levels of business value.
Social Collaboration Means Business

How important do you think social software will be to your organization’s success in meeting the following challenges over the next two years?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Important</th>
<th>Somewhat Important</th>
<th>Neutral</th>
<th>Somewhat Unimportant</th>
<th>Unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Customer Relationships</td>
<td>42%</td>
<td>38%</td>
<td>12%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Innovating for Competitive Differentiation</td>
<td>38%</td>
<td>36%</td>
<td>14%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Acquiring and Retaining Employees</td>
<td>27%</td>
<td>38%</td>
<td>20%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Growing Revenue</td>
<td>26%</td>
<td>35%</td>
<td>20%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Responding to New Competitive Threats</td>
<td>26%</td>
<td>36%</td>
<td>22%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Reducing Costs and Increasing Efficiencies</td>
<td>21%</td>
<td>28%</td>
<td>25%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Managing Risk</td>
<td>11%</td>
<td>22%</td>
<td>31%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Managing Regulatory Compliance</td>
<td>8%</td>
<td>16%</td>
<td>30%</td>
<td>20%</td>
<td>26%</td>
</tr>
</tbody>
</table>


Digital Business Ranks High on the Agenda

<table>
<thead>
<tr>
<th>Technology</th>
<th>Top corporate priority</th>
<th>Top 3 corporate priority</th>
<th>Top 10 corporate priority</th>
<th>Not a top corporate or BU priority</th>
<th>Not on the agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Data Analytics</td>
<td>9%</td>
<td>16%</td>
<td>26%</td>
<td>14%</td>
<td>20%</td>
</tr>
<tr>
<td>Digital Marketing and Social Tools</td>
<td>8%</td>
<td>17%</td>
<td>27%</td>
<td>16%</td>
<td>20%</td>
</tr>
<tr>
<td>Flexible Delivery Platforms</td>
<td>6%</td>
<td>12%</td>
<td>23%</td>
<td>15%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: McKinsey Global Survey. May, 2012. Response base: 1,469. Figure 7

While the adoption of digital technologies may seem slow in traditional industries such as banking, insurance and healthcare, our survey provides clear evidence that decision makers in these enterprises recognize the potential of SMAC Stack technologies to dramatically improve both front- and back-office work (see Figure 8, next page).

The new era of social, mobile, analytics and cloud (SMAC) is a phase of experimentation, of placing bets, trying hunches and taking educated guesses. Innovation is the watch word. Creative destruction (discarding something that once worked
The pressure cooker of new technologies, the imperative to reimagine core work processes, economic volatility and shifting demographics are driving business decision makers to re-consider how work will be delivered. This rethinking of service models is fueling a growing paradox related to both shared and externalized services.

The Future Process Paradox:
Balancing Hybrid Service Models

For years, many of the major strategic decisions faced by senior leaders have oriented around what work should be retained within the enterprise’s four walls and what work can be safely and effectively done by partners.
In all its many forms, moving services outside the physical boundaries of the enterprise has polarized leaders (and communities) while freeing up money to fuel business growth (or in some cases, to survive).

After all the debate, and with new data showcasing the potential lack of business agility, the bulk of standardized process work for many global enterprises is still dependent on shared services. More than two thirds (68%) of the process work analyzed in this study is conducted within shared services centers. Less than one-quarter (24%) of processes are performed in divisional business functions (e.g., marketing, sales, logistics). (See Figure 9.)

The shift of work to shared services centers is particularly intense in Europe. We found that European companies conduct 74% of the processes we evaluated primarily in shared services centers — 10 percentage points higher than in North America.

Enterprises in Europe and the U.S. have undoubtedly reaped significant benefits from shared services centers. GE, as one example, embraced this approach in the early 1990s. We believe that over the years, GE has accrued hundreds of millions of dollars in savings that went straight to the bottom line. Similarly, Procter & Gamble's shared services operation shaved more than US$800 million off operating costs.7

Cost Containment Pushes Work Into Shared Services

Service centralization is still a powerful lever for reducing costs. A chief quality officer of a mid-sized, U.S.-based investment management company noted that the harsh reality is that near-term cost concerns still trump potential concerns about long-term agility.

“There is now acute awareness that if we don’t centralize we're going to lose out. Already, the firm has moved some technology services to a shared services center. It is now looking at putting sales and other operations there as well. We need to have more and more of these shared services centers of excellence.”

Shared Services Still Provide the Bulk of Standardized Work Processes

Response base: 242 business decision makers
Figure 9
This sentiment is entirely logical, given recent global economic woes. And this explains why many enterprises are keen to put greater and greater portions of their operations into shared service centers (see Figure 10, previous page).

**Heightened Expectations for Shared Services**

Decision makers are clearly attracted to the savings associated with centralizing and standardizing process work in shared services delivery engines. However, there may be significant longer-term risks as work becomes hard-coded and calcified.

While lowering costs remains the primary motivation for enterprises to leverage shared services, some decision makers hope that adopting this model will also greatly improve business outcomes (see Figure 11).

**Striving for Shared Services Benefits Beyond Cost Reduction**

Response base: 242 business decision makers. Multiple responses were permitted. Figure 11
This has become a big worry for decision makers focused on the future. As a senior vice president at the U.S. subsidiary of a US$50 billion European insurance company said: “My concern with shared services is that we could actually stifle long-term improvements.”

The biggest near-term question for many large companies is not whether they can develop inventive ideas for better marketing, sales, service and other processes; rather, whether centralization and standardization will permit them to do so.

Using shared services delivery to improve agility – while simultaneously reducing costs – creates something of a paradox for decision makers. Achieving a balance between savings and heightened expectations for shared services is driving many organizations to reorient internal and external process delivery. The era of increasing process virtualization – and hybrid service delivery models – is now under way.

### Hybrid Service Models Are Now Standard

The decision on where to conduct a process is not as black and white as it used to be. Companies that are best at managing the tension between the economies of standardized processes and process innovation take a hybrid approach to where work is conducted. As the senior vice president of customer operations of the U.S. unit of a major European insurer put it, “I think there needs to be a blend (of service provision), especially in an organization like ours that has multiple companies. It’s a combination play.”

Leading enterprises are taking a more information-based approach to deciding how process services should be delivered. “It enables us to use discipline, structure and a data-driven approach to make these pivotal decisions, not instinct,” said an executive from a financial services firm. This rigor is helping companies more objectively determine whether a given key process should be delivered via shared services, from inside the business function, or by an external provider.

This rebalancing of service models shows a growing recognition that hybrid sourcing strategies – balancing internal and external service delivery – can be more valuable than pure “black and white,” “in or out” approaches.

Quickly designing and implementing new business processes around new technologies is a difficult task for many companies. In fact, over-reliance on internal shared services may present companies with challenges that trump potential cost savings (see Figure 12).

### Companies Externalize for Technology and Quality

Most organizations that source their back-office and middle-office functions do so to support an efficient and agile business model. Defining “what” they want to achieve comes much before “how” they want to achieve. Our research shows that companies that source or use third-party services do so in order to better adapt to technology and also enhance quality – both factors that they believe are better handled through specific skill sets provided by third-party vendors.

Deep skills in SMAC technologies, for instance, are in short supply. And since the technologies and their applications are forever evolving, it’s hard for non-specialists to keep up. For example, many big companies do not possess the skills to monitor social media discussions or analyze huge volumes of data from mobile phones, point-of-sale devices and third-party data devices to target consumer promotions. But they can quickly acquire the capability by using third parties.
What is key here is balance. Savvy decision makers will strive to create hybrid architectures comprising internal and external service work. The walls of yesterday’s enterprise will become more porous. Data, information and social communities will create unstoppable forces that drive decision makers to reimagine enterprise process work. This will ignite new business models, new service models and entirely new expectations of customer service.

Recoding Your Process Genome

Although the tension between achieving cost efficiencies and driving innovative growth is at an all-time high, leaders can successfully embrace this dual mandate. New process-oriented delivery models supported by the latest technologies can deliver both. Companies that view work this way will be able to drive exceptional business performance in today’s tough economy, create a foundation for accelerated growth, and take advantage of the compelling opportunities created when new technologies are applied to core business process work.

Managing the conundrum of standardizing and innovating is set to become the new core competency for outperforming enterprises in the next wave of SMAC-enabled global competition. Business-technology decision makers should take meaningful steps to reimagine core process work to thrive in the 21st century.

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**New Shared Services Expectations Present a Challenge**

<table>
<thead>
<tr>
<th>Shared Services Challenge</th>
<th>Words of Wisdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Gaps</td>
<td>“The technology for better processes is not core to our corporate business. In other words, computer-telephony integration (CTI) would be a monumental leap for us because we’re an insurance company; we’re not a business process management company.” - Insurance company executive</td>
</tr>
<tr>
<td>Meaning-Making Capabilities</td>
<td>“We aspire to do things with big data, but it’s not actually happening. We’ve done multiyear, multimillion-dollar efforts … but they’re not producing very much.” - Business transformation executive at a large health insurer</td>
</tr>
<tr>
<td>Specialized Expertise</td>
<td>“We have vendors that deliver capabilities that we choose not to build ourselves, such as determining eligibility for life insurance.” - Director at a US$60 billion insurance company</td>
</tr>
<tr>
<td>Process Control</td>
<td>“People in our company trust third parties more than our shared services groups because they have more control over third parties. I pay them, can tell them what to do and, ultimately, can fire them. I can’t do that with shared services.” - Senior vice president of customer operations at a major insurance company</td>
</tr>
</tbody>
</table>

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Figure 12
Recognize the Shift Point in Commerce, Work and Technology

Many consulting careers have bloomed after clients were told “You need to change.” However, experienced leaders know that change is part of business life — something to be embraced and sought, not something that simply envelops the organization from time to time. Change in business is constant and inevitable, but the context is different now — far beyond a mere cyclical shift or momentary event leaders must sort through. What is new and different is the scale and intensity of change. A minor tweak and a minuscule tool will not support organizational initiatives for agility and market growth. Keep in mind:

- **Quality approaches and methodologies must be carefully assessed** to help identify how and where to streamline processes and remove inefficiencies.

- **Given the need to balance speed and business performance, seek “big-bang” approaches** that simultaneously accelerate time to market, support innovation, and drive growth in existing and newer geographies.

As a senior IT executive at a US$5 billion investment firm put it: “We have a mismatch between processes driven by lean concepts and the need for them to handle globalization and new products.”

A US$14 billion (revenue) U.S. bank believes new financial products have taxed its new product development and support processes. “The number of products has increased greatly, and we need to get them out the door faster and service them,” says a senior executive in process improvement. “We can only do that if we improve processes.”

Many agree that current economic conditions are almost unprecedented, and the technological tectonic plates only shift this seismically once every 15 years. The question becomes how to manage this tension; how to break this conundrum. The first step is to recognize that something extraordinary is happening.
Companies that have cracked this code share four hallmarks:

- **Adopt a process view of the company.** Businesses convert raw materials to higher-value goods and services. Leaders are able to see the enterprise as a set of end-to-end work processes. They make process governance decisions (especially, where and how a process should be performed) from a strategic perspective.

- **Empower process owners.** Reorienting to focus on the work being done – rather than just the underlying tools – allows goals to become clearer. Managers who own a work process have the best insights on how to re-code work. They can – and should – be allowed to improve how the work is executed.

- **Embrace leading-edge technology early.** With any new innovation, there are early and later adopters. At the point of a disruptive shift, longer-term winners will not bet the company on unproven technologies, but they will aggressively explore the competitive potential of new technologies and become faster at rethinking, reinventing and rewiring business processes.

- **Redefine core.** Companies already succeeding in re-coding business have recognized early on that no company is completely independent; they are making informed decisions about the optimum mix of shared services, third-party services and business units for process execution. Companies such as Apple and Ford realize that their concentration is on design and customer, rather than the logistics value chain. Staying laser focused on these strengths is what drives their success.

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**Pilot SMAC Technologies to Modernize Process Work**

The key question for many enterprises large and small is not whether they can invent ideas to optimize marketing, sales, service and other processes; it is whether the management orthodoxy of centralization and standardization will allow these innovations to take root and bloom.

The return on investment of SMAC is, as of late 2013, still a work in progress, but a growing number of cases are starting to emerge. SMAC deployment – which more and more executives believe is key to improving service, developing innovative products and enhancing supplier management – will, over the course of the next 24 months, lack the ability to be completely integrated into processes, or have a defined ROI and success metrics. Organizations are therefore advised to start early and experiment often to get a jumpstart on transforming their businesses.

SMAC’s potential virtues notwithstanding, no organization should deploy technology for technology’s sake. Those that try to rush SMAC technologies into shared service models too quickly, or are consumed more with near-term efficiency than long-term business objectives, may end up circumventing the big picture – and the opportunity to achieve maximum benefits and more value from their investments.
Tactics for Reimagining Work

Hitting the “reset” button on the organization is generally ill-advised (and almost always unnecessary). However, as we’ve shown, simply waiting for things to get better cuts a clear path to irrelevance. Another trap is concluding that this is too complicated, and there is no need to focus on tomorrow’s problems when there is enough to do (budgets, reports, HR, etc.) today.

But there are some manageable tactical steps executives can take today to begin helping their business re-code its processes and thrive in the future.

• **Focus on the building, not the screw driver.** Broaden the scope. Focus on specific work elements that make sense. Balance risk and reward, but keep an eye on the future. As important as cost containment is to the organization, the right investments and a clear focus will ensure relevancy.

• **Re-architect shared services.** Shared services today are great at scaling transactional work, but expectations are rising. The key question for many enterprises of all sizes is not whether they can invent ideas to optimize marketing, sales, service and other processes; it is whether the management orthodoxy of centralization and standardization will permit them to do so. Leaders should avoid pinning their hopes on achieving more value without rethinking the organizational structure and capabilities needed to build tomorrow’s shared services innovation engines.

• **Orient around customers/end-users to integrate process and technology.** Technology is no longer being driven by IT departments and absorbed by everyone else in the organization. More and more decisions on how and where to deploy IT across the organization are made by the marketing organization (CRM platforms, social networks, analytics, mobility solutions, etc.), the finance organizations (ERP platforms, analytics tools, better vendor management systems, etc.) and talent management functions (employee engagement platforms).

Leaders should avoid pinning their hopes on achieving more value without rethinking the organizational structure and capabilities needed to build tomorrow’s shared services innovation engines.

• **Integrate processes and technologies.** Today’s technologies cannot support business transformation alone. Market data shows that most CRM systems become “irrelevant” within the first year of implementation. Data is either corrupted or too incomplete for businesses to make decisions around their customers. A comprehensive solution involves integrating technology with core functions, rather than viewing it as a standalone tool.

• **Use analytics to gather meaningful information.** Telematics. Banking data. Healthcare regulatory requirements. The flood of data is overwhelming for humans. “Let’s do analytics” might sound good, but crunching numbers won’t add value unless it connects data with insight aligned with work processes. Making meaning out of business process data will be one of the key differentiators over the next generation. Leaders should begin to dissect processes and find ways to gain new insights with the aim of becoming a true “learning organization.”

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• **Create smart partnerships for hybrid models.** Broker innovation from outside and inside the company:

  › Seek “business unusual” – existing models and processes will degenerate in the next two to three years.
  › Discover ways to enhance process and technology integration to lower costs and add more business value. Task-level processes will emerge as primary candidates for automation.
  › Delivery models will be based on core competence, rather than a binary internal or external decision.
  › Value chains will be disaggregated, virtual and increasingly digital – separating people from tasks.
  › Service providers not in tune with this shift will be strained.
  › Failure will calcify the organization.

• **Don’t let your ROI calculations stop SMAC process innovation.** The return on investment of SMAC remains a work in progress. Many organizations struggle to measure the short-term ROI and business impact that results from SMAC deployment, but most see this shift as the key to improving service, developing innovative products, and enhancing supplier management, for example. However, SMAC remains a crucible of innovation from which new business models and leaders will emerge.

Making meaning out of business process data will be one of the key differentiators over the next generation.

• **Don’t just make a better typewriter.** The cost of not innovating now is too high to ignore. Find good ideas now (internal sources may not be enough). Incremental improvements will still be needed, but missing innovation curves will mean being left behind. Whether it’s reimaging the claims process, using SMAC technologies to transform medical management, or building wealth management processes for the millennial demographic, it’s time to rethink critical business process work.

Keep Challenging

To summarize, since the 2008 recession, many companies have wrung substantial cost savings out of their operations. They have used a combination of shared services, technology, partnering with third parties and process improvements to accomplish this. These tactics are likely to remain top of mind over the next few years as organizations continue to reduce costs and standardize operations.

However, business leaders who run key processes are more worried about another set of priorities: being up to date in how their teams conduct work and provide customers (both internal and external) with ever better service. Companies that improve efficiency at the expense of innovation will fall short of their customers’ expectations.

But efficiency and innovation need not be mutually exclusive. New process-oriented delivery models supported by the latest technologies can deliver both. Companies that see work this way will be able to drive exceptional business performance in today’s uncertain economy; create a foundation for accelerated growth; and take advantage of new product and market opportunities.
Appendix A: Demographics
This study was conducted across a variety of sectors, functions and geographies.

**Sectors**
- Banking and capital markets: 74
- Health insurance: 77
- Property, casualty and life insurance: 91

**Functions**
- Information technology: 17
- Sales/business development: 19
- Customer service/call center/customer care: 17
- Finance/accounting/treasury/internal audit: 15
- Distribution/logistics/warehouse: 8
- Legal/compliance/regulatory affairs: 5
- Marketing/market research/communications/PR: 7
- Manufacturing/production/operations: 3
- Human resources/personnel/benefits administration: 1
- R&D/product development: 1
- Purchasing/procurement/sourcing: 4
- Other: 2

**Headquarters**
- North America: 49
- Western/Northern Europe: 47
- Asia: 4
Appendix B: Research Methodology

Telephone and e-mail based research was conducted across decision makers from banking and financial services, insurance and healthcare companies across North America and Europe. The research was spread over four weeks, with data gathered from 247 respondents representing companies with more than US$500 million in revenue. The research was conducted by an independent research agency (The Bloom Group) on behalf of Cognizant, and data was tabulated by E2E Research.

Areas studied include:

- Current delivery configuration for key processes (list of processes provided in Appendix C).
- Anticipated business drivers over the next two to three years.
- Outsourced service models and drivers.
- Technology adoption rates and key drivers for implementation.
- Process performance and inhibitors for success.

Appendix C: Process Definitions

Banking and Capital Markets

- **New product/service development**: Create, gain regulatory approval and establish delivery for new client offerings.
- **Front-office**: Research, advisory services, trade execution, etc.
- **Middle office**: Trade booking, trade enrichment, collateral management, risk management, etc.
- **Post-trade processing/back office**: Confirmation/affirmation, reconciliation, clearing and settlement, etc.
- **Client management and sales**: Manage customer relationships and develop business.
- **Finance and accounting**: Record financial transactions, report the results and manage financial operations.

Health Insurance

- **New product/service development**: Create, gain regulatory approval and establish delivery for new client offerings.
- **Enrollment and billing services**: Register members and implement updates, calculate premiums, renewals and brokers’ commissions.
- **Claims processing**: Adjudicate claims, price them, generate EOBs or ERAs and send payments.
- **Overpayment recovery services**: Identify potential overpayments, generate demand letters, manage rebuttals and appeals, and administer repayment plans.
- **Fraud and abuse services**: Identify potential fraud and abuse, investigate, and facilitate enforcement.
- **Medical management**: Monitor, manage and facilitate care for cases, manage utilization and medical readiness.
- **Member/provider customer support**: Verify providers, conduct satisfaction surveys and provider reviews, manage communications with both constituencies.
- **Client management and sales**: Manage member relationships and grow the member base.
- **Finance and accounting**: Record financial transactions, report the results and manage the financial operations.
Property, Casualty, Life Insurance

- **New product/service development:** Create new offerings and establish their delivery.
- **New business and underwriting:** Receive applications, analyze relevant data, create policies and accept or reject applications.
- **Policy administration services:** Create policy documents and bills and account for transactions.
- **Claims administration:** Receive claims, assess, manage service providers, generate communications, and resolve claims.
- **Customer service (for new business, policy administration, and claims):** Manage call center(s) and maintain customer data.
- **Client management and sales:** Manage customer relationships and develop business
- **Finance and accounting:** Record financial transactions, report the results and manage the financial operations.

Footnotes

3. The consumer technology model is now penetrating, and beginning to transform, the corporation in a significant way. This new IT architecture, which we call the “SMAC Stack” (for social, mobile, analytics and cloud), is enabling the creation of hyper-intelligent software platforms that address myriad issues, from sales to customer service to the design of new products to the management process. See www.cognizant.com/Futureofwork/Documents/dont-get-smacked.pdf.
8. There is a wealth of literature on diffusion of innovations, and much of this is based on the seminal work of Everett Rogers. See http://en.wikipedia.org/wiki/Diffusion_of_innovations.
9. For decades, management scientists have struggled to describe how organizations — and the decision makers within — learn and adapt. Argyris, Schön, March & Olsen and many others have wrestled with this in great depth and rigor. Interested readers should look into this amazing body of work.
About the Authors

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About Cognizant’s Center for the Future of Work

Cognizant’s Center for the Future of Work provides original research and analysis of work trends and dynamics, and collaborates with a wide range of business and technology thinkers and academics about what the future of work will look like as technology changes so many aspects of our working lives. Learn more by visiting unevenlydistributed.com.

About Cognizant

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