By assessing their current capabilities and understanding their near- and long-term corporate objectives, businesses can map a journey of reinvention that will enable them to harness the continual disruptions of the new era of work. Here’s the first installment in a multi-part series that explores the operating model, process and organizational shifts organizations must make to future-proof their businesses.
Executive Summary

Business leaders are accustomed to “change as a constant.” But even the most savvy and experienced among them have never faced the slew of disruptive changes that are commonplace in today’s new business order. Operating models, information technology, the global economy, demographics, social behavior, even the planet, are all undergoing volatile, game-changing and inter-related shifts.

Amid this radical reshaping of the business landscape, serious competition is emerging from all corners of the world. Increasingly, these rivals are using new-fangled business models that take full advantage of digital and mobile delivery, agile and asset-light infrastructures, social media-influenced strategies and virtual workforces. Suddenly, traditional ways of doing business are feeling like cumbersome – and costly – baggage.

Both technology and business leaders stand at an inflection point demanding warp-speed levels of change. Proof is plentiful that failing to adopt new ways of working will result in falling behind, in alarmingly accelerated ways – Netflix, Groupon, Skype, Zappos and Pandora are just a few companies that have forced change on their markets, or created new models, in recent years. There is simply no time for long governance and review processes; market opportunities and competitive advantage can disappear in a blink.

Clearly, success lies in harnessing the disruptive megatrends that are reshaping the business world, including virtualization, an increasingly millennial mindset, globalization and technologies such as social media, mobile and cloud-based computing. According to Bruce Rogow, principal at IT Odyssey and Advisory, over 80% of CIOs say they need a new agenda for this new world order, although only 20% have actually begun developing one.
For many companies, making the necessary changes can be overwhelming — where do you begin, and in which direction do you head? When it comes to forces like social media, virtual teams, mobile apps and globalization, do you take the plunge or go conservative? Some companies have already taken a piecemeal approach, embarking on cloud computing pilots or enabling a more mobile workforce – but is this enough?

To answer these questions, organizations need to start with a self-assessment that helps them understand where they stand on the future-readiness spectrum. From there, they can identify which business and technology refinements offer the best opportunities for near- and long-term success. The goal is to build a custom strategy and roadmap that will lead them on the most important endeavor they can take today: Preparing for the new era of work.

This whitepaper is the first of a series of reports that will explore the enablers of this new era of work. In this first installment, we encapsulate the tectonic shifts that are reshaping the business landscape for enterprises in all industries, in all regions of the world. We then detail how these forces are impacting all facets of the corporate operating model and mandating organizations to reinvent business models, rethink business processes and rewire technology.
To help readers get started on their own transformation journeys, we introduce a diagnostic tool that assesses how prepared an enterprise is for the new business landscape and pinpoints the most important steps organizations need to take on their own transformation journeys. We also provide an overview of the eight future-facing enablers that are key to accomplishing the necessary rethinking, reinventing and rewiring that organizations need to undertake (see Figure 1). These so-called future-of-work enablers – and the many choices and opportunities they pose – will be discussed in greater detail in our series of follow-up reports that will illustrate how each enabler can help you build a strategy to future-proof your business.

### Mapping The Enablers To The 3 R's

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*Figure 1*
No More ‘Business as Usual’

The challenges organizations face today are unprecedented, relentless and perplexing. Here is a quick overview of what businesses are grappling with:

- **Economic volatility.** A glance at the daily headlines tells the story of global economic unease. Some leading indicators may have steadied since the Great Recession of 2008-2009, but none have entered a comfort zone. In fact, the International Monetary Fund has projected world economic growth to be just 4% in 2012 compared with over 5% and 4% in 2010 and 2011, respectively. Adding to the volatility is soaring growth rates in emerging economies (6.4%, according to the IMF) compared with the anemic rates of the advanced markets (1.6%).³

- **Globalization.** Thanks to the strength of emerging markets, business leaders are looking outside their home markets for growth. By 2030, the total number of people living in an emerging-market city is forecast to increase by 1.3 billion to 3.9 billion, surpassing the population of developed-market cities, which will grow by just 100 million new residents in that timeframe, according to The Boston Consulting Group. Such growth will change the competitive landscape in many ways, BCG says, including a rapid increase in consumer demand as the middle class in these markets expands, as well as a need for new infrastructure as cities grow. To be successful, companies will look to these markets for growth and as a catalyst for innovation, according to BCG.⁴

- **Changing consumers.** The global downturn also curbed consumer spending in mature markets, with a new aversion to debt and interest in savings. The rise of the mobile Web and social media has also changed the relationship between consumers and vendors, as opinions, reviews, advice and experiences with brands – positive and negative – circulate the globe at viral speeds, unleashed from any vestige of corporate control.

- **Changing workplace.** As members of the millennial generation enter the workforce, they bring with them the habits and behaviors honed from a lifetime of digital exposure, including social media and always-on Web access. This generation tends to eschew hierarchical, bureaucratic thinking and thrives on flexible schedules, mobile work habits and collaborative styles of work. Enterprises that actively engage this generation report greater productivity, a better understanding of younger customers and new approaches to overcoming business challenges.⁵

Across age categories, as people spend more time with technology in their private lives, they expect the same level of digital experience in the workplace as outside of it. This is also known as the “Sunday night/Monday morning syndrome.”⁶

- **Technology advancement.** Mobile devices and applications, as well as social networking, are changing the way people work in a radical way. On an unprecedented scale, employees and businesses are leveraging tools that originated in the consumer world to communicate, collaborate and share knowledge in the workplace, as well as with customers and partners. According to IDC, consumerization of IT is fundamentally changing the way IT and business operates today.⁷ Over 70% of respondents to the IDC study said consumerization of technology improves morale, makes employees more productive and will be an integral part of how their enterprise conducts business. Still, nearly half of IT respondents rate their departments as late adopters, and more than three out of four are not taking advantage of smart mobile devices to interact with employees and customers, and have no plans to do so.
Meanwhile, as-a-service and cloud-based computing models are reaching the mainstream. Cloud computing is predicted to be a $241 billion market by 2020, compared with $40.7 billion in 2010, according to Forrester Research, Inc. The move to cloud computing models is precipitated by companies looking to shift Cap-Ex spending to Op-Ex and improve business performance. With these new styles of computing, businesses can quickly enter and exit new markets without deep pockets and high overhead.

Next-Generation Enterprise

With all these disruptions, it’s clear that the old way of doing business is losing its luster. While many organizations will address these disruptive forces through point initiatives, we believe they instead need to take a holistic approach that considers how these forces impact the entire corporate operating model, as well as the extended enterprise, inside and outside its conventional four walls. From this wider view, organizations can begin to develop a road map that takes full advantage of the future-facing capabilities of the new business order.

This holistic approach includes asking questions and making decisions in three areas of the enterprise. In sum, it requires corporate captains to reinvent their business models, rethink supporting business processes and organizational structures and rewire underlying IT infrastructure.

Reinvent: Updating the Business Model

Traditional business models are hierarchical, with organizational structures that reinforce top-down decision-making, discourage interdepartmental communication and stifle out-of-the-box thinking. Next-generation enterprises, on the other hand, will empower workers at all levels to collaborate and innovate, which means breaking down the barriers that exist within and outside the workplace.

Innovation and collaboration are naturally enabled through social media platforms like Facebook and Twitter. It’s become second nature for people to seek advice and knowledge from their social networks, which can include worldwide contacts—whether “followers” or friends of friends—who possess just the information or expertise they need. Businesses can maximize the effectiveness of such technology-enabled collaboration by replicating these platforms and extending them to suppliers, service providers, consultants, customers and even competitors. After all, these knowledge networks already exist among individuals—it’s a matter of companies inserting themselves into the virtual value chain and ensuring they are the “spider in the web” that is orchestrating and managing it.

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We can see this happening today with Comcast and others that incorporate real-time customer complaints into their service models by continuously monitoring Twitter and other social media feeds, as well as using these platforms to broadcast updates about their progress on fixing widespread problems and outages. In some cases, companies are putting customer opinions and ideas at the center of their R&D model to ensure new products and services will succeed in the market. In others, business-to-business suppliers are using social networking to improve their delivery and replenishment models. In all these cases, moving to a collaborative business model opens new channels of talent, knowledge, expertise and capability.
Rethink: Creating New Process Models

Next-generation enterprises also need to take a good look at all the processes they perform, as well as the people who perform them. This involves asking tough but important questions: Which activities are core to our business, what we do best and how we set ourselves apart from our competitors? Which activities are performed just as well by the competitor next-door? Which activities may be better handled by a third-party with deeper and more scalable expertise?

Traditionally, companies have handed off manufacturing or logistics management processes to services providers. Today, however, they need to go further and consider knowledge processes. In fact, by employing an as-a-service (or by-the-drink) model for non-differentiating knowledge processes, companies free themselves from suffocating Cap-Ex costs and can focus on perfecting the activities that give them a competitive edge. As the late management guru Peter F. Drucker once said, “Do first things first and second things not at all,” or if you prefer, “Efficiency is doing things right; effectiveness is doing the right things.”

Examples of non-core knowledge processes include trade management for investment banks, clinical trials processing for pharmaceuticals firms and claims processing for insurance companies. Shedding these activities enables these companies to focus on tasks at which they excel and drive higher value for their customers. With this approach, organizations leverage specialized expertise virtually, strengthening business value delivered across all links in the chain.

For instance, by applying predictive analytics to the volumes of customer data that they already own and are captured in their ERP systems, organizations can develop a better understanding of customers’ current and future needs and desires. Their focus can shift to better targeted offerings and experiences that are seen as differentiating by customers. In this way, the customer relationship becomes the corporate DNA — something that cannot easily be replicated.

An example is Eli Lilly & Co., which determined its core capabilities were therapeutic innovations and customer intimacy. Its sales organization now uses a services provider to deliver cloud-based processes ranging from commercial analytics, sales force planning and sales incentive compensation, to customer relationship management, business reporting, data warehousing and state compliance reporting.

Next-generation enterprises will master these two elements — breaking up the value chain in core and non-core activities and orchestrating a virtual network of service providers.

Rewire: Focusing on a New IT Architecture

The challenge for IT is to undertake significant shifts in its traditional thinking to support the new areas of focus. This includes customer-facing core competencies; intuitive user interfaces inspired by consumer-facing mobile applications; collab-
orative business models involving customer and supplier co-creation; and virtual, globally dispersed teams focused on executing knowledge-intensive business processes.

One major shift is from systems of record, to systems of engagement. Think of an old-style ERP or CRM system that collects data on what customers bought, when, what they paid, etc.—that’s a system of record. Systems of engagement, on the other hand, enable you to do something with that data, like predict what customers will need next and what they really want from your products and services. These future-facing systems provide that kind of intelligence without manual workarounds or bolted-on business intelligence tools.

Another shift is to the Web 2.0 world of social networking and mobile technologies that enable globally distributed teams to collaborate and work effectively in an organized manner. These technologies are already reshaping our personal lives, and they will continue to influence how next-generation enterprises communicate, collaborate, learn, buy, enable and consume, as well. Across industries and in all regions of the world, companies are already realizing measurable benefits from adopting Web 2.0 technologies for internal, customer-related and supplier/partner-facing purposes, according to a study by McKinsey & Co.

Thirdly, IT needs to move from a 20th century distributed computing mindset to a more adaptive and agile model that incorporates as-a-service and cloud-based approaches to acquiring IT capabilities. Consumption-oriented IT models enable companies to lower their fixed costs and increase their variable costs by procuring IT services on demand. Such an asset-light approach is key to enabling companies to jump on new market opportunities quickly, without putting too much at risk, as well as riding out times of economic duress.

Embarking on the Future-of-Work Journey

Most companies realize they need to change, but they wonder where to start. They may have embarked on a cloud pilot here, and a social networking deployment there. But these are disjointed efforts that need to come together into a cohesive and holistic plan for facilitating true transformational thinking and execution.

The question is, how do you determine where you stand in terms of your readiness for the new age of business? We offer companies one way to do this, using a diagnostic tool that helps them assess how their current operating model measures up to the disruptive forces shaping their environment (namely, globalization, demographic change, virtualization and the shift to a new technology model). When you have a good idea of your strengths and weaknesses, you can make informed choices about creating a roadmap of activities and strategies that will expedite your move to becoming a future-facing business.

When organizations understand their level of preparedness across the corporate operating model, they can begin to formulate the right questions that will lead them to choosing the future-facing enablers with the highest value for their particular business situation (see sidebar, page 11, for a sampling of questions, as well as the Appendix for a framework that defines progressive levels of preparedness).

To quantify preparedness, we use 27 defined key performance indicators (KPIs) to measure the impact of the future of work on the corporate operating model. After working to understand the organization’s key strategic priorities (business- and...
technology-wise), we are then able to determine which of these 27 KPIs will yield the most value if they are improved. We take the KPIs that score the lowest and plot a 2x2 grid to determine and illustrate which are of the highest strategic relevance. This strategic alignment enables us to determine how to close functional gaps and add new capabilities that significantly strengthen the core operating model and advance overall business objectives.

An example can be seen through our work with a large U.S. food retailer, with operations in North America (see Figure 2). Our consulting team had a discussion with the company’s CEO and CIO around the following:

- Disaggregation of people and processes so the right individuals could provide the right products to the right consumers at the right price by optimizing the value chain.
- Rewiring the way the infrastructure is managed to capitalize on managed services and cloud-based offerings from global service providers. This does not necessarily mean moving all infrastructure to the cloud (or to a managed service); rather, it entails looking at specific applications and devices (e.g., mobile applications) that are best managed through a cloud infrastructure capability.
- Identifying ways to optimize the footprint of facilities by enabling virtual collaboration.
- Enhancing customer intimacy and centricity by enhancing the in-store and remote (mobile and Web) consumer experience.

**Eight Enablers to Drive Transformation**

Once a company has identified the highest priority KPIs, we can map the work that needs to be done to one or more of eight “enablers” that encapsulate all the areas of change that represent a next-generation enterprise. It’s important to note that

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**Aligning Future-of-Work KPIs with Strategic Priorities**

2x2 grid illustrating strategic relevance of KPIs for one of our retail clients.

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**Figure 2**
Gauging Future-of-Work Preparedness

The transformation journey begins by unlocking the right set of future-facing enablers. To determine which capabilities will enable their next-generation development, organizations need to ask key questions that will inform their choices. A few examples of these questions include:

- What are some innovations I can bring to the customer experience to improve customer satisfaction, customer intimacy and retention?
- What future-facing models of innovation can I adopt to develop products, take them to market quickly and even co-create services/products with my customers?
- Should I enable the virtualization of functions, processes and teams to improve productivity and cost-efficiency by connecting people and processes across geographies and between departments?
- To what degree should our organization use third parties and cloud models of computing to host and manage our infrastructure, leading to a more flexible, scalable and potentially more cost-effective infrastructure?
- How can I establish communities of interaction both inside and outside my organization, through the use of next-generation applications and mobile and social tools?
- Which decisions can I make to optimize the value chain through disaggregating people and functions (potentially using business process as a service) to improve efficiency, increase productivity and expand into new markets?
- How far should I go to embrace new technology and implement appropriate policies that enable and empower my workforce to work more flexibly, innovatively and efficiently?

These decisions can only be made once the company has completed the upfront work of understanding its future readiness, as well as identifying a clear set of key strategic priorities.

An example is an automotive client with which we are currently working. This company has identified the enabler “Flexible Service Delivery” as a key driver for certain areas of the enterprise. Its transformation journey would be incremental, and the choices it makes around where to start would be informed by its pain points.

In particular, the auto company has an employee group that requires a more dynamic set of devices (mobile and social) to use in the sales room and servicing center. The current in-house infrastructure is not able to accommodate these new types of devices. Our conversation with this client is focused on a cloud-based infrastructure and platform for this group of employees, as well as creating a roadmap to build application architecture standards that are future-facing and ensuring business applications are built and enhanced with widespread cloud adoption in mind.

Additionally, each of the eight enablers maps to the three areas of corporate operating model transformation described above.
Here is a summary of the eight enablers.

1. **Community interaction: Interacting/engaging with users through social media.**

Next-generation enterprises will encourage and foster employee engagement using platforms of collaboration, not just on specific projects but for day-to-day work. Analysts are already predicting that business communications will move from e-mail to social networks. As a result, some companies are moving to a zero-email environment, allowing collaboration tools only for employee communication.

To encourage community interaction, a Facebook-like collaboration portal can enable employees to update their status to share what they’re working on, ask for advice or even let others know of their travel plans. Setting up such capabilities will involve a range of choices, such as how to govern the use of the social network, as well as encourage its use. Companies will also need to change their own cultures to accept social media platforms as a genuine enabler, not a discretionary activity or even a drag on productivity.

Collaborative platforms can also be formed for specific communities, such as centers of excellence, research and development or domains in which to engage with partners, suppliers or customers. Already, organizations are using platforms like Twitter, LinkedIn and Facebook to build rapport and transactional relationships. Northwest Airlines used Twitter to gather feedback on proposed flight schedules and routes.

2. **Innovation: Creation of an environment to breed and enable innovation of products and services, in the form of open, closed and virtual innovation.**

Product and service innovation can no longer happen within the four walls of the enterprise. Companies have many choices to make in terms of finding more dynamic ways to find truly valuable ideas. An example is Procter & Gamble, whose Connect+Develop program accesses externally developed intellectual property and allows internally developed assets and know-how to be used by others. According to P&G, 50% of its product initiatives involve significant collaboration with outside innovators. The company boosted innovation productivity by 60%, according to Bain & Co., and generated more than $10 billion in revenue from over 400 new products. A Bain survey revealed that nearly six in 10 managers believe their companies could dramatically boost innovation by collaborating outside with other companies.¹³

Others are using social media for co-creation and crowdsourcing. A famous example is The Goldcorp Challenge. Goldcorp, a Toronto mining company, made its geologic records public on the Web and offered $575,000 to anyone who could find the gold in its Red Lake, Ontario, mine. Eight million ounces were found, and company value increased from $100 million to $9 billion.¹⁴

Another example is the Henkel Innovation Challenge, sponsored by the Germany-based global maker of laundry/homecare, cosmetics/toiletries and adhesives products. Henkel’s contest challenges students around the world to submit an innovative idea for a new Henkel product or technology in 2030, as well as their vision of future trends, market needs and how the idea promotes sustainable development. The winning team will be awarded with €1,000 in travel vouchers, and the top three teams are invited to spend a day at Henkel headquarters and meet with the CEO.
3. **Worker empowerment: Empowering the workforce to be location-agnostic through communication-rich mobile devices and enabling a culture of collaboration and creativity for millennial employees.**

Future-facing enterprises also need to make choices around how they empower and enable their employees in terms of decision-making authority, location and schedule flexibility, leveraging individual skills and teamwork. This involves both technology and policy.

With more companies using globally dispersed and virtual teams, employees are expected to function in any location and without regular face-to-face contact with managers or other employees. In addition, the need to focus on superior customer experience also requires employees to make decisions and serve customers without continual approval requests. Third, to recruit millennial employees, companies need to meet new expectations of empowerment and flexibility. This points back to the “Sunday night/Monday morning” experience, in which employees expect the same technological experience in the office as they enjoy at home, including easy and unfettered Internet access, choice of mobile device (BYOD), easy-to-use mobile applications, etc. In all cases, enabling workers with collaboration tools and communication-rich mobile devices will increase their effectiveness.

An example is McDonald’s UK, which is using a cloud-based solution for its Web-based employee benefits portal, dubbed Our Lounge. Employees can check schedule and shift information, as well as health and financial information.5

Flexible work policies are also important to empower workers to choose a schedule that works for them rather than penalizing them for leaving the office during the day.

4. **Virtual collaboration: Building platforms of collaboration to enable the virtual environment.**

Next-generation enterprises will need to enable virtual teams to collaborate across geographies, time zones and functions. Virtual teams need a cohesive, automated and reliable way to share schedules, documents and artifacts; identify who has the information they’re seeking; keep each other up-to-date; conduct meetings; post updates; disseminate critical information on a timely basis; and more. The choice of technologies includes videoconferencing, Web conferencing, unified communications, mobile applications, commercial collaboration platforms or custom-built ones that emulate the communal experience popularized by Facebook and LinkedIn.

According to a study we conducted in 2010 with the Economist Intelligence Unit, virtual teams using collaborative tools experience measurable increases in productivity and innovation, as well as advantages in talent recruitment and retention.16

5. **Customer empowerment: Empowering customers by providing cutting-edge tools and media to improve the customer experience.**

Consumers are more digitally savvy today and will only grow more so. According to Pew Research, 65% of online adults in the U.S. use a social networking site; 71% watch videos on video-sharing sites; more than one quarter (28%) use mobile or social location-based services; and one-third own a smartphone, with most (87%) accessing the Internet on this device.17

Clearly, forward-facing enterprises need to decide how they will engage with and empower these new types of consumers, using...
social media, Web and mobile tools. This can range from online approvals for financial institutions, to Web-based diagnostic tools for pharmaceuticals, to virtual try-it-out kiosks and mobile apps that offer comparative information at retail stores — any tool that encourages customers to transact and provides a more dynamic way for you to become part of the customer dialogue.

An example of this is the growing number of hospitality providers, such as InterContinental Hotels, launching “rewards” mobile apps that allow hotel guests to search, plan and book their stays. InterContinental also equips its concierge teams with iPads to provide guest services such as finding maps and directions, offering video recommendations and allowing instant bookings and confirmations (a trend that other fast-followers like Hilton and Starwood have recently adopted).

Another example is P&G’s mobile coupons, which the company distributes for many of its brands. In total, P&G offers more than 70 mobile coupons that have been redeemed in supermarket chains around the world.18

Starbucks has come a long way in appealing to digitally-savvy customers. The company recently reported that less than a year after launching an application that allows for mobile payments, a full 25% of its U.S. sales took place through customers using their mobile device to pay for their coffee drinks. A Starbucks smartphone application is connected to a pre-loaded Starbucks card that allows customers to “wave and pay.”19

Meanwhile, KLM Royal Dutch Airlines has launched a “social seating” application that allows travelers on long-haul flights to find like-minded seatmates, using one’s LinkedIn or Facebook profile. The service enables passengers to link their social media profile to their check-in information and then choose a seating partner based on the profiles of other passengers.20

6. Commercial model flexibility: Flexibility to choose between being asset heavy vs. asset light (Cap-Ex vs Op-Ex; buy vs. lease), as appropriate.

When companies traditionally wanted to upgrade or adopt new applications and systems, it was an intensive Cap-Ex endeavor, involving new software licenses, new hardware, implementation services, annual support fees, training and even new hires. IT leaders in next-generation enterprises need to understand the range of asset-light models that exist, such as software leasing and as-a-service models, as well as the financial implications of these models.

Working with a service provider to deliver a business process as a service, for instance, will reduce both labor costs and capital expenditures. CIOs need to be able to engage in a fluid discussion with the CFO and COO about how these new technology approaches impact cash flow and financial reporting models.

Grupo Posadas, a hotels and resorts operator in Mexico and Latin America, moved its central reservations system into an Oracle-based cloud, allowing for quick upscaling and downscaling of capacity without Cap-Ex impact. The move also opened a new business model for the company, as it founded a spin-off company, AltiusPAR, that sells the asset-light solution as a service to other hotel operators.21
7. **Value chain flexibility**: Flexibility to choose and source value chain elements from anywhere; disaggregating people from functions.

In the new era of work, an increasingly high proportion of the supply and value chains will be globalized, as companies break apart their business functions into a series of work elements and strategically move these elements to different parts of the world. Such value chain disaggregation will open new opportunities to leverage suppliers and locations around the world to lower costs, access new markets and more quickly respond to changing market dynamics and more complex product and service requirements.

Future-facing enterprises will need to think more creatively about who performs which elements of the value and supply chains and where this work gets done. For example, rather than owning and managing their own transportation fleets, some organizations are now using service providers to perform third-party logistics. Similarly, businesses are breaking apart their finance function and moving elements like expense processing to providers with expertise in that area.

By disaggregating people from functions, businesses can benefit from the cost advantages of global suppliers, global expertise and a broader supplier base, which improves negotiating positions, reduces supplier dependency and increases production agility.

8. **Flexible service delivery**: Flexibility to choose and source infrastructure from anywhere (e.g., cloud, mainframe, client/server, etc.).

Next-generation enterprises have many choices for optimizing the cost and capabilities of their technology infrastructures, from on-premises, to cloud-based, to as-a-service computing models. Businesses will increasingly want to reduce their overhead so they can enter and exit new markets more nimbly without putting a lot of resources on the line or increasing Cap-Ex costs, and they want more flexible processing power that they can increase or decrease as demand fluctuates.

An example is Domino’s Pizza UK, which moved its e-commerce, online payment, corporate e-mail and back-office systems to the cloud, with the aim of increasing scalability and saving money. Domino’s hopes this transition will allow its IT team to focus less on maintenance activities and more on innovation.²²

Scalability was a major reason for McDonald’s UK’s choice of a cloud-based solution for its employee portal. Using Amazon as a hosting provider enables McDonald’s to more easily deploy the portal across the company than if it were within its own data center.²³

There are many management decisions to make when moving to as-a-service and cloud-based infrastructures, particularly for heavily regulated industries such as healthcare and financial services, which must grapple with issues such as privacy, compliance and security. Most organizations will take a hybrid approach, with a mix of public and private cloud, on-premises and as-a-service techniques.

**A Prescription for Outperforming the Competition**

Tomorrow’s corporate winners have already started to adapt their corporate operating models. Based on a survey of 25 Fortune 500 companies, we have found that, on average, organizations are aware of future-facing concepts and capabilities, and they have begun enabling these capabilities in pockets of the organization. However, the initiatives are inconsistent and not always focused on the strategic business agenda.
Woven into this trend, we are seeing that the most mature adoption is happening at the technology layer of the corporate operating model (see Figure 3). This suggests that the IT organization, and perhaps the role of the CIO, are evolving as drivers and shapers of the next-generation enterprise. This is not all that surprising, given that a large aspect of this work is underpinned by technology that powers long overdue business process transformation. We believe the real opportunities will present themselves as the business models are rethought and the operations/processes are reinvented, along with this trend to rewire the technology.

The global business environment is reshaping before our eyes, as disruptions in economies, governments, technologies, business models and demographics profoundly change how we conduct work and create value, especially in complex, knowledge-intensive businesses. No organization can afford to ignore the implications of the disruptive forces of globalization, virtualization, changing demographics and new technologies on their core operating model, as well as the key business processes and underlying IT infrastructure that powers it.

What’s clear is there is no turning back – only moving forward. Organizations in all industries must begin immediately to determine their preparedness for the new age of work by assessing their next-generation strengths and weaknesses in light of their key strategic priorities. To help organizations chart their future-readiness, our consulting organization developed a framework that maps out the broad characteristics for preparedness, from “very low” through “excellent” (see Appendix). Once they can identify their current state, enterprises can then begin to ask the right questions (see sidebar, page 11) to discover which enablers hold the highest value for them and then move toward building their transformation roadmap. By following this course of action, enterprises will be well-equipped to reinvent, rethink and rewire their way to becoming a future-ready business.

**Identifying the Hot Spots**

Heat map illustrating future-of-work maturity across key dimensions for one of our clients.
MAKING THE SHIFT TO THE NEXT-GENERATION ENTERPRISE

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Footnotes


3 “World Economic Outlook: Slowing Growth, Rising Risks,” International Monetary Fund, September 2011.


11 “Virtual Teams, Real Value,” CIO Custom Solutions Group.


15 Stuart Sumner, “Interview: McDonald’s UK IT Director Mark Fabes,” Computing, June 8, 2011.


23 Stuart Sumner, “Interview: McDonald’s UK IT Director Mark Fabes,” Computing, June 8, 2011.
## Next-Generation Enterprise Maturity

This framework defines progressive levels of preparedness to help companies identify their current state of future-of-work readiness.

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>REINVENT</th>
<th>RETHINK</th>
<th>REWIRE</th>
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| **Level 1: Very Low** (Very low or no next-generation enterprise characteristics; perhaps even low awareness.) | * Low opening of new markets.  
* Low use of global providers.  
* Low use of millennial-minded communication channels (social media, mobile).  
* No measurement of millennial-minded customer satisfaction.  
* Low focus on meeting expectations of millennial-minded employees.  
* Lacks understanding of value provided by virtual teams vs. co-located teams.  
* Struggles to see new technology as business enabler. | * Processes not well-engineered for operating in new markets.  
* No standard process architecture, fragmented local processes across the enterprise.  
* Not leveraging opportunities to modularize business processes (break into discrete units).  
* No integration of mobile/social into customer-facing processes.  
* No flexible work programs, processes and policies.  
* No virtualization of business processes to improve productivity.  
* No adoption of business processes as a service (BPaaS). | * No ability for applications and infrastructure to scale to accommodate new markets.  
* No ability for technology to enable product/service co-creation with customers and third parties.  
* No ability for application architecture and portfolio to enable collaboration.  
* No optimization of IT assets (hardware, software, premises) for cost throughout regions.  
* No adoption of global IT providers (applications and infrastructure support, IT processes).  
* No data center consolidation strategy.  
* No support for personal devices (BYOD, smartphones, tablets, laptops).  
* No integration of social enterprise and mobile into technology stack.  
* No adoption of new technologies (social, mobile, cloud). |
| **Level 2: Aware** (Aware of next-generation enterprise characteristics and capabilities, possibly with initiatives formulated.) | * 25% of new market openings are successful.  
* Ad hoc use of global providers.  
* Ad hoc use of millennial-minded communication channels.  
* Low measurement of millennial-minded customer satisfaction.  
* Meeting expectations of millennial-minded employees considered “nice to have.”  
* Value of virtual teams understood but not implemented.  
* New technology as business enabler understood, but no IT-driven business transformation. | * Minimal processes engineered for operating in new markets.  
* Low process standardization and largely fragmented, local processes across the enterprise.  
* Leveraging few opportunities to modularize business processes.  
* Low integration of mobile/social into customer-facing processes.  
* Few flexible work programs, processes and policies for a few parts of the enterprise.  
* Low virtualization of business processes to improve productivity.  
* Aware of benefits of BPaaS but not implemented. | * Basic ability to scale applications and infrastructure to accommodate new markets.  
* Low ability for technology to enable product/service co-creation with customers and third parties.  
* Low ability for application architecture and portfolio to enable collaboration.  
* Low optimization of IT assets for cost throughout regions.  
* Low adoption of global IT providers.  
* Aware of need for data center consolidation strategy but not implemented.  
* Program defined to support personal devices.  
* Low integration of social enterprise and mobile into technology stack.  
* Low adoption of new technologies. |
| **Level 3: Activated** (Partial activation of next-generation enterprise characteristics and capabilities, inconsistently enabled across the organization.) | * 26%-50% of new market openings are successful.  
* Prevalent use of global providers but not consistently deployed.  
* Good use of millennial-minded communication channels.  
* Millennial-minded customer satisfaction is implemented but not acted upon consistently.  
* Strong desire to meet expectations of millennial-minded employees but not always acted on.  
* Has implemented virtual teams intent for pockets of the enterprise.  
* Has point examples of true technology-driven business transformation. | * Some processes reengineered to operate in new markets.  
* Core processes standardized, with localization where appropriate.  
* Leveraging some opportunities to modularize business processes.  
* Mobile/social capabilities integrated into customer-facing processes but not consistently deployed.  
* Many flexible work programs, processes and policies for key parts of the enterprise.  
* Core business processes virtualized to improve productivity.  
* Some BPaaS adopted but not optimized. | * Scalable applications and infrastructure to accommodate new markets for critical capabilities.  
* Technology somewhat enabled for product/service co-creation with customers and third parties but not actively being developed.  
* Enablement of collaboration through application architecture and portfolio in more than one instance but not consistently deployed.  
* Strategy undertaken to optimize IT assets for cost throughout regions but is inconsistent.  
* Moderate adoption of global IT providers.  
* Efforts begun on a data center consolidation strategy.  
* Minimal support for personal devices.  
* Social enterprise and mobile well-integrated into technology stack.  
* Piecemeal adoption of new technologies. |
| **Level 4: Excellent** (Well-defined next-generation enterprise strategy, with implementation and ongoing monitoring.) | * Over 50% of successful new market openings.  
* Global sourcing strategy defined, implemented and monitored.  
* A well-defined future-facing communication channels strategy in place and implemented.  
* Millennial-minded customer satisfaction acted upon consistently.  
* A millennial-friendly employee environment (strategy, policies and monitoring).  
* Virtual teams implemented and optimized, where appropriate.  
* IT is an active business partner in driving business transformation. | * All processes reengineered to operate in new markets.  
* Enterprise process architecture defined and implemented, with localization where appropriate.  
* Business processes well-defined, modularized and implemented.  
* Mobile/social capabilities consistently well-integrated into customer-facing processes.  
* Flexible and well-defined work program strategy, policies and processes.  
* All appropriate business processes virtualized to improve productivity.  
* BPaaS adopted and optimized wherever appropriate. | * Excellent ability to scale applications and infrastructure to accommodate new markets for critical capabilities.  
* Well-established technology to enable product/service co-creation with customers and third parties.  
* Collaboration strongly enabled across the enterprise through application architecture and portfolio.  
* A well-implemented strategy to optimize IT assets for cost throughout regions.  
* Optimized adoption of global IT providers.  
* Data center consolidation program implemented.  
* Well-defined and implemented “bring your own device” strategy.  
* Social enterprise and mobile capabilities well-integrated into technology stack.  
* Strong alignment of new technologies with the business. |
About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 137,700 employees as of December 31, 2011, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.

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