

# The Future of Business Transformation

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# Dynamic Forces of Change are Creating Disruptions for Government

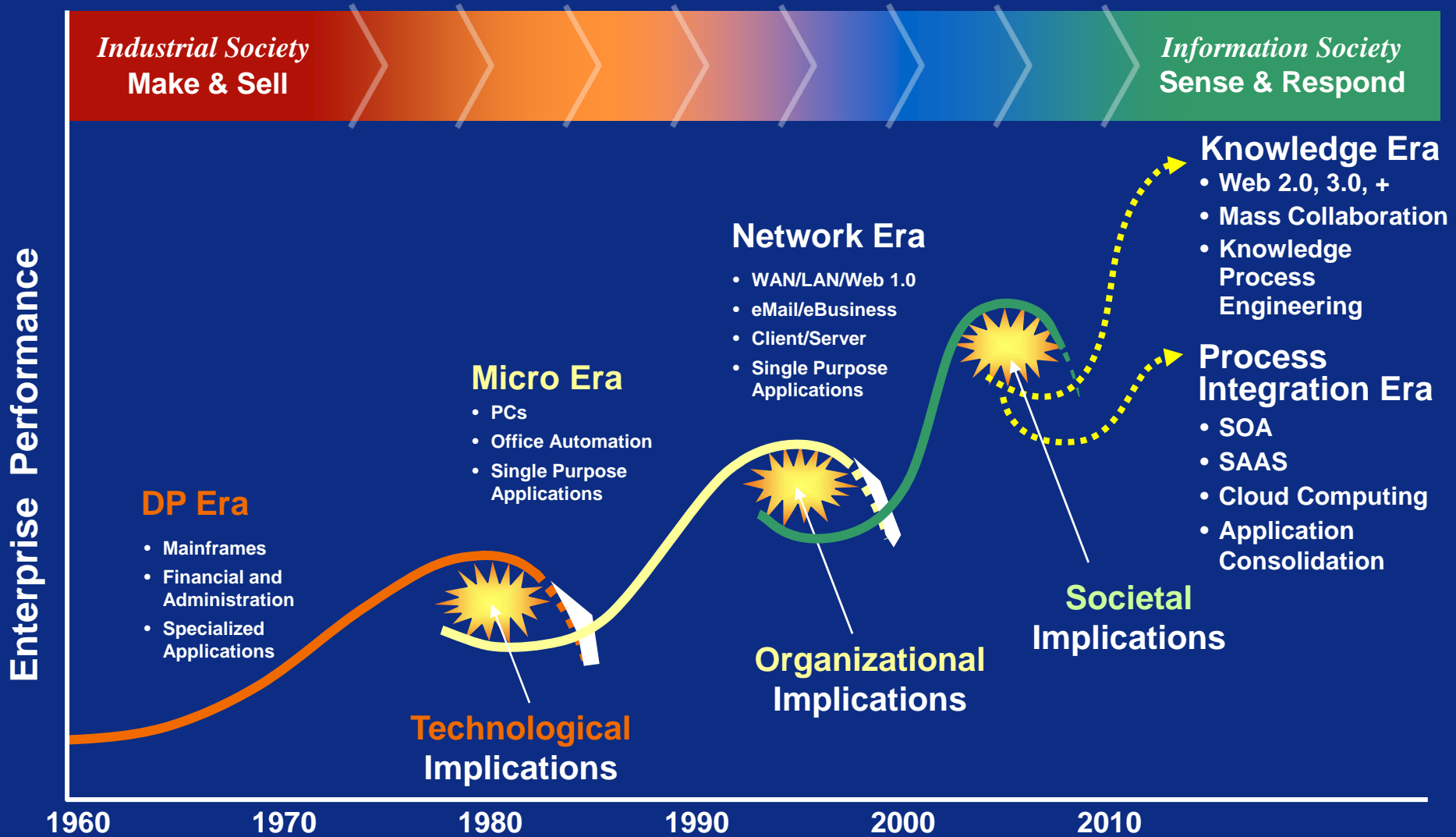
As a result of physical and virtual global connectivity, the impact of events thousands of miles away are felt swiftly and strongly. These developments are causing transformational changes in government and include:

- **The global economy – With the globalization of capital markets, economic disruptions spread quickly, as the current global economic downturn and last year’s liquidity crisis have illustrated.**
- **Government intervention – Worldwide, government efforts have attempted to respond quickly to the economic crisis by taking actions, such as rapidly creating new programs and expending large amounts of funds much more rapidly than normal.**
- **Push for transparency – Government officials are under increasing pressure to provide transparency about how they operate and make decisions, and to be more accountable for how funds are allocated and spent.**
- **Citizen-centric government – Governments are under strong pressure to be more agile so they can provide more efficient and effective services under tight fiscal constraints. Citizens are demanding a level of customer service that is comparable to what they receive in their commercial interactions.**

# Dynamic Forces of Change are Creating Disruptions for Government (Continued)

- **Demographics** – As a constituency, people express views through social computing platforms and expect government to provide the medium to enable this collaboration. Employees now entering the public sector work force are requesting greater flexibility and tools for doing their jobs.
- **Security** – The events of 9/11 in the United States, and attacks in London, Mumbai, Madrid and other cities, brought home stark realities for national governments: the need for new and better forms of intelligence gathering, for processes that acquire and integrate data from multiple sources and agencies in real-time, and breaking down operational silos for rapid response.
- **New and emerging crises** – The increased threat of pandemics (i.e. recent swine flu) has created a greater need to track, monitor and react to these life-threatening and often time-sensitive demands for information, knowledge and informed decision making.
- **Commoditization** – Business processing tools lack meaningful differentiation. This situation is characterized by standardized, ever cheaper, and common technology.

# IT Disruptions Have Spawned Diverging Opportunities



# Value From the Process Integration Trend

- **Transparency and Data Quality:** No longer can each subset of a business process maintain its own terminology and data structure to be manually reconciled at a later date. Data integration activities will help improve transparency, quality, and timeliness of data on operations, resources, and performance.
- **Continuing Automation:** Business processes that were automated in pieces using client server technology are being re-architected to reflect the multiple players and activities coupling all transactions related to an end-to-end function (e.g. the acquire-to-retire activities for capital assets).
- **Consistency and Repeatability:** Recurring government business processes and activities can achieve standards for performance, efficiency, and risk management across entities.
- **Economies of Scale:** One to two orders of magnitude can lower costs of operations and error correction/reconciliation through shared services and commoditization

# We are living through the transition of computing to a new model

“When overcapacity is combined with redundant functionality, the conditions are ripe for a shift to centralized supply. Yet companies continue to invest large sums in maintaining and even expanding their private, subscale data centers. Why? For the same reason that manufacturers continued to install private electric generators during the early decades of the 20th century: because of the lack of a viable, large-scale utility model. But such a model is now emerging...”

Source: Nicholas Carr, The End of Corporate Computing, MIT Sloan Review, Spring 2005

# Business Operations Are Being Structured to Leverage Commoditization: Improving Efficiency and Performance

## Disparate

- Processes performed and managed locally
- Typically geographically disbursed operations

## Consolidated

- All functions performed in a central location
- Among the best processing for locations / Business Units

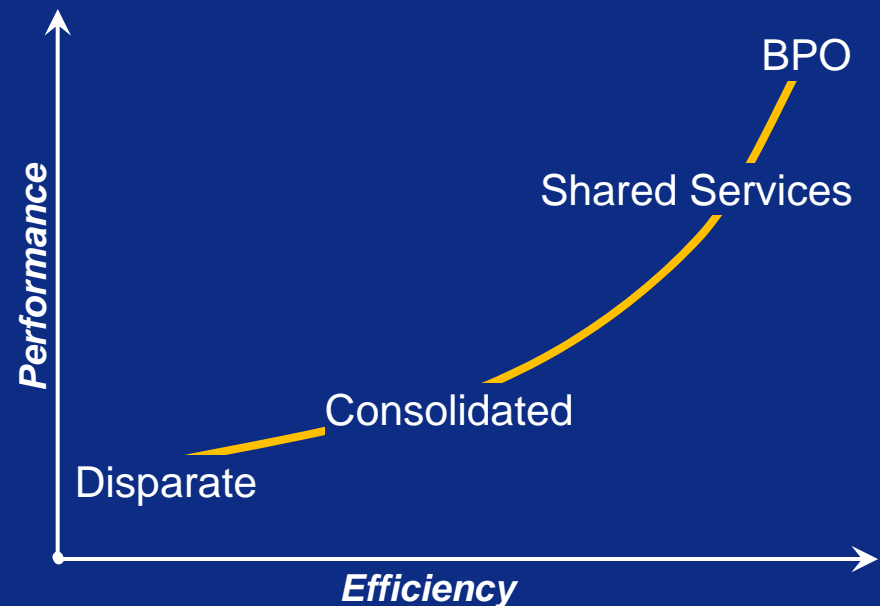
## Shared Services

- Separated and distinct cost center / operating unit
- Shared Services governance model employed
- Optimized and standardized processing throughout
- Performance expectations monitored through Service Level Agreements (SLAs) and reverse SLAs

## Business Process Outsourcing (BPO)

- Includes Shared Services characteristics
- Processing performed by external party
- Typically bound by multi-year contract

## Process Operating Model



# Significant Benefits Are Being Attained Through The Use Of Shared Services Models

## Cost Reduction

- Through creative (less hierarchical) organization design, economies of scale can be reached

## Organizational Flexibility

- Properly aligning sales and operational resources to meet changing customer creating a more nimble organization.
- Detaching non-customer-specific administrative processing from the operations organization allows the “front line” to be more responsive to customer requirements

## Leveraging Leading Best Practices

- Existing best practices can be replicated enterprise-wide through the use of standardized processes

## Leveraging Investments in Technology

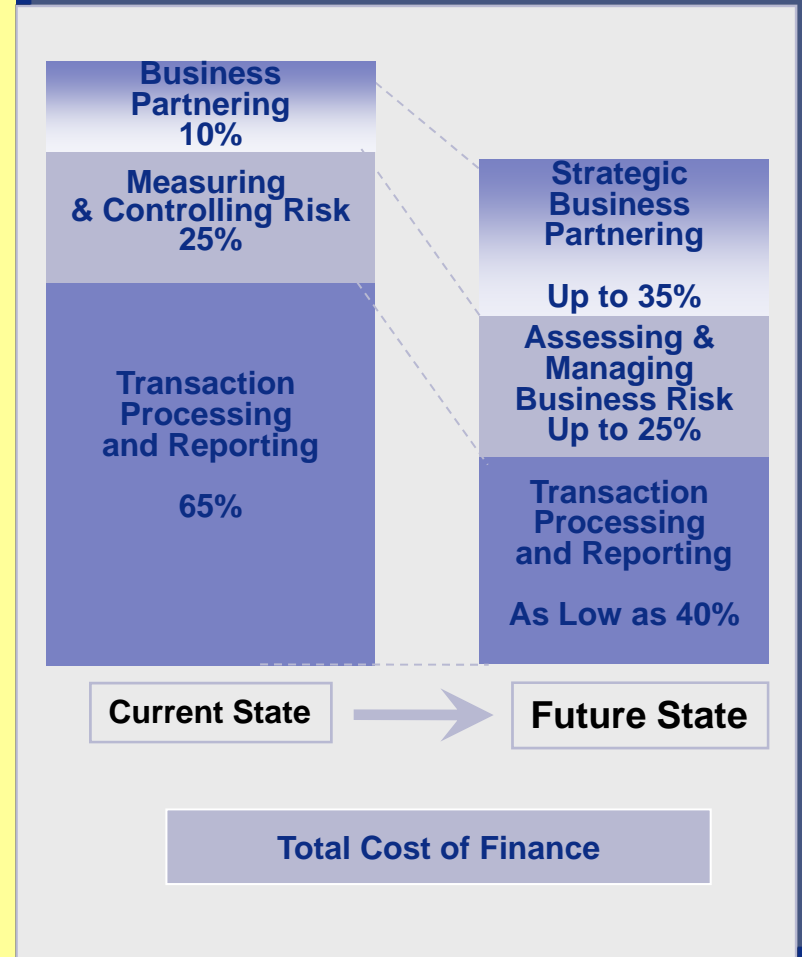
- Opportunities for identifying and economically implementing technology improvement is greatly enhanced

## Improved Opportunity for Transformation

- Creates an environment conducive to the roll-out of major reengineering initiatives
- Allows greater redeployment of resources to strategic initiatives

## Increased Customer Service

- Standardization of processes helps deliver consistent services to all business units



# Executive Considerations Regarding Use of Cloud Computing or Software as a Service

- *Reputation/Cloud:* The organization must consider how a decision related to its internal core financial platform will be perceived by the market. This consideration includes both creating momentum for further adoption and trust of the Cloud Computing model within the enterprise, and also on various marketplace relationships with other technology providers such as Oracle, Workday, One Network, invoicecloud.com, Cloudinvoicing.com, Applicor.
- *Scalability:* Potential market impact should be balanced with developing a solution that meets the short-term and long-term needs of the organization. The solution must be able to meet the transaction and reporting volumes required by the company's growth plans over a five to 10 year horizon.
- *Control:* The solution must include a robust information "data" integration model that will serve for not only cost-effective data integrity, but the "single source of truth" necessary to gain the insights needed to manage business performance while managing risk.
- *Cost:* The solution must be mindful of investments—historical and recent—made by the agency to its financial processes and IT landscape. This usually includes unique processes.
- There are rapidly emerging choices, such as: Netsuite (ERP); Applicor (ERP and CRM); Workday (hire to retire), Avue (HRIS), One Network (supply chain), Esker (procure to pay), Coupa (procure to pay), Appirio (order to cash), Salesforce (CRM), invoicecloud.com (procure to pay), etc.

# Five Principles of IT Reform To Guide Your Efforts

- **Simplify** –too often complexity slows our ability to do problem solving by diverting resources to reconcile data; too many disparate data bases exist because each one was created for a unique application or purpose. Now, emphasis on collaboration and integration is highly dependent on simplification, e.g., CGAC and SFIS should simplify interagency transactions.
- **Unify** – Get rid of redundancy for sake of ownership; focus on integration around customer.
- **Collect once – Use Many:** Milk the data and share; more redundant copies of data – harder to maintain privacy and system of records.
- **Focus on results** – The primary issue in government is cycle time; for what we spend we ought to see order of magnitude improvements in velocity.
- **Build the business case** for a key elements of the solution needed to close a performance gap; technology without process and organization change is just putting lipstick on a pig.