

Acora: White Paper

The Pace of Change: Harnessing the forces shaping business today with IT outsourcing

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Change has always been a constant. Knowledge has always been pushed further; boundaries challenged; capabilities extended. For businesses, embracing change on all these fronts to stay one step ahead is nothing new. But the radical social, economic and technological shifts of the last few years have given rise to a time of dynamic reinvention in which the concepts of work and play, public and private have all but broken down. With the continued and far-reaching impact of the global recession, the path has been cleared for wholesale and deep-level reimagining. The pace of change gathering momentum in this fertile space has become, for business leaders of all sizes, a daunting and unmanageable prospect. For the mid-market, reliant on their strategic agility, this need for constant adoption is both a dangerous limitation and, with the right level of support, a source of enormous competitive advantage.

For all businesses, the forces shaping the contemporary working environment are redefining what it means to be competitive in today's marketplace

— and no where is the pace of change so pronounced as in the potent new technology powering business today and the impact it has on almost every aspect of competitive advantage. The colliding impact of shrinking margins, lack of capital, industry consolidation, growing customer expectation, insufficient talent, strict regulation and environmental factors are now all issues forcing a top-down reassessment of priorities and preconceptions. The capabilities created by these ever more accessible and business focussed technologies call for a *dramatic reappraisal of traditional business models* — and the integral role IT must play in every business's strategic vision going forward. Now shaped and defined by this ever-growing potential, businesses are building new standards of competitive practice into the heart of their organisations. Traditional limitations of the workplace are being eliminated — and for the most agile, forward-thinking businesses, *the opportunity to seize advantage in this shifting landscape is vast.*

How we work, where we work, when we work: technology is changing everything.

With a new millennial generation bringing an unprecedented knowledge of, and dependency on, the most forward

thinking technology, change is stealing into the workplace with or without board sanction as social habits begin to dictate business practice and create new value. *The new workplace is collaborative, communicative and connected: part of a seamless, real-time, global working culture in which the central role of technology does not eclipse, but enhances the human face of business and the value every individual can contribute.* Businesses harnessing the millennial mind set are businesses investing in the future of their competitive advantage. Such challenges call for brave and creative leadership and a determination to work in new ways that harness the potential of change.

This paper will explore the economic, social and technological forces both shaped by and shaping the business world, their impact on our socio-economic environment and ever-more fluid working practices, and why intelligent partnering will become more essential — not less — as the world becomes flatter, smaller and smarter.

The Shape of the Future

The workplace will change dramatically in the next few years. The findings from a study conducted by the Centre for Future Studies released in October 2011 paint a clear picture of the transformation we can expect to see as the potential of the new technology sets the new global standard.



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It is human interaction that will be at the heart of innovation

The Future of Technology: Transforming Mid-Market Operations, TCFS

The Future of Technology: Transforming Mid-market Business Operations, found several key findings falling under five key areas.

- ◆ **Virtualisation:**
 - ◆ The virtual office will dominate the workplace by 2020
 - ◆ Businesses will opt for project teams over permanent staff, creating a transient workforce and dependency on an IT environment to support this fresh talent stream
- ◆ **Connectivity and mobility:**
 - ◆ 50 billion devices will be connected by 2020.
 - ◆ Smartphones will overtake PCs as the most popular device for accessing the web by 2013, driving new standards of transparency and accessibility.
- ◆ **Talent management:**
 - ◆ Millennials or 'digital natives' will be impacting significantly on the way businesses use technology.
 - ◆ HR professionals will need to become visionaries informing strategic thinking and leading the organisation to the future: As retirement age is pushed back, talent management will become a key concern for all HR departments. The talent crisis, age diversity, the changing expectations of workers, remote working teams, virtual collaboration, virtual organisations, the skilling and re-skilling of workers will all pose enormous challenges. For it is human interaction that will be at the core of innovation.
 - ◆ Human capital will become the most valuable resource as expertise

and capabilities become unlocked by the new collaborative working models.

- ◆ **Security:**
 - ◆ An increased priority for every business as sensitive data is channelled through third party cloud applications and electronic exchanges.
- ◆ **Customer expectation:**
 - ◆ A personalised experience will become the new customer standard; shaping customer relationships and enhancing customer satisfaction through technology innovation and social media will be business critical for every enterprise.

The Forces driving change

Economic:

In the far-reaching and continued impact of the global recession, the economy has experienced permanent changes. In the wake of the fallout, key trends are emerging that will ensure there will be no return to 'business as usual'.

- ◆ **Austerity:** In response to the recession, organisations are concerned with both securing and providing only services that offer long term sustainability and value for investment. Stringent scrutiny will demand a new focus on outcomes and demonstrable, tangible value creation from every business.
- ◆ **Globalisation:** With the severe financial losses of the global recession, Companies are moving away from the high-cost, high-risk markets of to the developed world to hunt out

the newest fast-growth emerging markets. Businesses will be continuing to extend their reach into the low cost markets of Asia, Africa and Latin America.

- ◆ **Global demand for investment capital:** As high growth markets offer significant new opportunities, the world's developed nations will have to compete with developing nations for access to critical capital markets. With financial backing scarce and businesses under fierce scrutiny, efficiency, streamlining and enhanced capability at minimal cost will be essential.
- ◆ **Effective management across borders:** Global organisations will have to manage workers, strategy, and finances across fast and slow growth locations simultaneously. Operations will need robust, consistent management and a strong platform from which this can be achieved.
- ◆ **Distributed workforce:** Globalisation and increasing mobile capabilities are enabling companies to source new streams of talent that are highly capable and low cost.
- ◆ **Rigorous new regulation:** In the continued fallout of the global recession and the vast debt facing many countries, governing bodies are leveraging stringent new legislation to minimise financial risk and tax avoidance opportunities. Businesses across all sectors will require new agility in the face of these measures, which will demand regular scrutiny and subsequent optimisation of their financial management.



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50 billion devices will be connected by 2020

◆ **Internal efficiency vs. sales growth:**

Seeking reduced risk, businesses will focus on engineering internal efficiencies to maintain or grow year-on-year profit, rather than the predominately sales-growth focus of previous years.

- ◆ **Local fabrication:** Local fabrication is the ability to create products – traditionally sourced via distribution methods – at the point of need, ie. in the home or workplace. Using technologies such as 3D printers or print-on-demand books, consumers are moving away from traditional dependency on supply chains and enjoying significantly reduced costs. This technology is highly disruptive for the distribution and publishing markets, ultimately shifting value away from the physical product to the intellectual property of the design.

- ◆ **Transparency:** Driven by the increasing power of the consumer and the ease of access to competitive information, transparency of corporate activities and intentions is one of the biggest drivers of products and pricing in the retail world. Ever growing customer expectations of transparency in businesses is leading to a renewed focus on ethical practices and accountability.

Social:

Changing demographics, social habits and consumer expectation are challenging long-held practices and dramatically remoulding the world of commerce.

- ◆ **The power of the consumer:** What Gartner identifies as ‘extreme meritocracy’, the huge online presence of social media, and the free sharing of customer reviews and ratings has

signalled a significant shift of power into the hands of the consumer. With the growing use of social media to enact global social and political change, the voice of the individual has been granted a fresh and tangible relation with the power of the individual voice. Businesses must enhance, personalise and make transparent every aspect of the customer journey to win customer loyalty and protect their reputation in the face of an ever more demanding and vocal customer base.

- ◆ **Longevity and expected working life:** People are staying healthier longer and pensions are shrinking. Older generations will stay in the workforce for longer and compete with younger generations for jobs. The potential to have multiple careers in one lifetime is now possible, and the need for continuous learning is ever more prevalent.

- ◆ **Environmentalism:** New ethical standards will guide a key segment of conscientious new talent toward businesses with ‘green’ credentials and transparent sustainable practices.

- ◆ **The Millennials:** The Millennials, or Generation Y (born between 1980 – 2000) entering the workforce are bringing with them a unique relationship with the technology that challenges traditional standards and capabilities. Their influence is leveraging the power of communication, collaboration, free-exchange of information, global communities, mobility and constant multi-tasking in the modern workplace. Such thinking is challenging the traditional isolated model of the individual, paving the way instead for

a seamless, cross departmental, cross-organisational working style that leverages external expertise rather than struggling to source them internally. Securing this fresh stream of talent will require businesses to meet the new standards of flexibility and innovation.

Technological:

The implications of the rapid development and consumerisation of increasingly business-focussed technologies are significant and far reaching. As leading sociologist Professor Judy Wajcman makes clear in her research, the progress of society and technology is deeply interconnected: both embedded within and reacting with the other. The core technological developments fall into four categories – each driving through, and in turn being driven by, radical change to traditional business models.

Insight:

As Business Intelligence platforms become more accessible, accurate and sophisticated, and the universe of available information expands, businesses are realising the value of analytics to harness and implement the value of collective, collaborative wisdom. Insight is being mined from a growing number of diverse sources:

- ◆ **Activity streams:** One of the most valuable means of leveraging intelligence from the social media platforms increasingly being utilised in the workplace, activity streams provide unique information about the type and frequency of communication.
- ◆ **Audio and video analytics:** By automating analysis of audio and video files, organisations are able to increase the type and amount of insight that can



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be created from available data, particularly the analysis of live feeds to respond to insights in real time.

- ◆ **Big data:** A popular term to refer to the extreme growth and accessibility of external digital information which cannot be owned or controlled, yet is increasingly essential to the competitive capability of all organisations. For the forward thinking businesses, the opportunity is there to exploit this data and build its working model around the insights that can be gained for significant new advantage.
- ◆ **In-Memory computing:** This massively enhances speed of data processing and analytics applications, creating room for more dynamic working models, real-time feedback and strategic action.
- ◆ **Natural language question/answering:** With the advent of technology such as IBM's Watson computer comes a new age of rapidly available information. By answering specific questions rather than just returning search results, dramatically faster decision making will dramatically enhance capability in professions such as medical, legal, financial and customer services.
- ◆ **Predictive analytics:** Predictive analytics applications can mine vast amounts of data to predict the future behaviour of people or equipment. They provide enormous competitive advantage to businesses utilising this information to tailor their operations around customer behaviour or future operational processes and pricing trends. When used in conjunction with the power of behavioural economics, the potential is vast.

Collaboration

Technology is breaking down geographical, social and industrial barriers like never before. Businesses are realising the value of a connected and collaborative organisation culture to leverage the value of expertise from non-traditional sources.

- ◆ **Collaborative Decision Making:** CDM software is revolutionising collaborative management practices to drive greater employee engagement, equality and productivity. By merging Business Intelligence platforms and Web 2.0 technologies, CDM bridges the gap between insight and collectively-determined action - creating an empowered and contributing workforce, operating through a transparent and democratic decision making structure. Such new technology dramatically realises the often untapped value of BI. The analytics firm IDC believes that the emerging collaborative decision making software market will grow quickly, forecasting revenues of nearly \$2b by 2014.
- ◆ **Mobile tele-presence:** The consumerisation of formerly niche, high-cost videoconferencing devices is strengthening the collaborative capabilities of global businesses and remote working.
- ◆ **Social media:** The value of social media tools continues to be extended and utilised in all areas of commerce. Internally, social media platforms create opportunity for collaboration, democratic governance models, leveraged organisational culture and fluid working structures; externally, there are significant opportunities for customer analysis, targeted marketing, and customer co-creation.
- ◆ **Knowledge sharing platforms:** Businesses are moving away from traditional corporate knowledge repositories – intranets or portals that quickly become neglected, static and irrelevant under pressure from building daily tasks – to explore interactive and adaptive alternatives that utilise many-to-many communication and source expertise from all areas of the business. Microblogging and wikis create an engaging, accessible and self-sustaining platform, capable of revolutionising the way businesses leverage specialist knowledge, engage their workers, and eliminate departmental silos.

Cloud:

Defined by Gartner as a style of computing where 'scalable and elastic IT enabled capabilities are delivered as a service using internet technologies' (*Trends That Matter: 84 Technology, Societal and Business Trends*, Jackie Fenn, Gartner, 2011), cloud technology is changing the balance of power in the business world. For new businesses, cloud computing is drastically reducing the start up costs for new businesses, and for already established players it provides flexibility and new capabilities. Cloud computing is being exploited through a growing number of capabilities and platforms:

- ◆ **Virtualisation:** Virtual working is dynamic working. Virtualisation of storage, servers, applications and now increasingly processes are empowering employees to work effectively wherever, whenever – and the possibilities for the midmarket business are enormous.
 - ◆ **Agility:** By providing an effective method of sharing a single computer system among many users and devices, businesses can respond immediately to new competitive requirements, an increasingly transient workforce, and sudden growth or downsizing without the financial burden of physical hardware. It allows companies to dynamically allocate resource to any operating system or application, based on current needs
 - ◆ **Low-cost software:** By sourcing new business applications through cloud technology, companies don't need to buy a set of software or software licenses for every employee or high grade computers and servers with huge storage facilities. This responsibility is taken on by the cloud provider in return for a monthly metered fee, and new applications can be rolled out rapidly on demand.
 - ◆ **Access anywhere, anytime:** Cloud enables users to access information and applications through the internet at any time, from any location with appropriate connectivity. With this technology, working is no longer confined to the traditional workplace for



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maximum productivity and efficiency as workforces become more diversified and traditional working hours become more fluid.

Smartphones and media tablets: Mobile capabilities are being dramatically extended by cloud enabled platforms. Though still limited in terms of processing power, typing capability, connectivity and memory, smartphones are mobile, engaging, convenient and capable. Now the huge consumption of tablet devices is driving and extending mobile capabilities of organisations. With the increased screen and typing functions and growing functionality they will continue to drive greater efficiency and productivity away from the traditional workspace. They are driving new types of BI such as location-intelligence to leverage geographical positioning as a key analytical dimension. Research estimates that by 2013, 33% of BI functionality will be consumed via handheld devices (“Mobile Devices Create New Opportunities and Foster BI Adoption”, Joao Tapadinhas, 2011).

Managing the Risk: Smart partnership and collaborative expertise

The potential these advancements offer for deep-level business transformation is enormous. But, while the benefits are clear, every opportunity for new value is countered by significant risk. As IT becomes ever-more integral to business strategy and critical processes, this risk only increases. High-level expertise are required to overcome the existence of legacy systems and transition into new, valuable working models and counter the problems faced by the need to constantly innovate beyond internal capabilities.

Failing to realise the value of investment

Even if businesses are updating their IT on a regular basis, this is often done without any strategic understanding of their investment or how to leverage its real value. Adoption is not enough: for many of these technologies to be used to full effect, expert guidance is required to achieve business wide adoption and willing engagement on an individual basis.

Collaborative tools are one such area of difficulty. As Don Tapscott observed in his articles ‘Enabling Wikinomics’ and ‘Taking Wikinomics to the Bottom line’, getting beyond the introduction of collaborative platforms to a point of real communal engagement is no easy task. Creating a self-sustaining, active community in a virtual space takes a level of specialised knowledge and previous experience.

The largest ever global study of IT change initiatives, conducted by Oxford University and global consulting firm McKinsey, found that:

- ◆ Business IT projects were 20 more likely to run out of control than standard risk-model managements would predict
- ◆ 1 in 6 IT projects are ‘black swans’: projects where rare, unexpected disasters regularly push projects 200% over budget and threaten to entirely derail businesses.
- ◆ Mismanaged IT projects cost investors and taxpayers billions of dollars, pounds and euros in excess spending and destroyed benefits, and have the power to sink entire companies and top-level careers.

Leveraging Business Intelligence is also a point of failure for many businesses. Despite the improvement in BI reporting and analytics capabilities, the quality of decision making in most businesses continues to be consistently low, with organisations still failing to turn intelligence into strategic action. As Rita Sallam, Research Director and BI analyst with Stamford, said while speaking at the 2010 Microsoft Business Intelligence Conference, ‘We see a real gap between the level of business intelligence and the quality and transparency of decision making’.

Security

As virtual working and cloud-based or third party service providers become ever more available and productive ways of working, and the sophistication and frequency

of cyber attacks continues to grow, businesses must counter the risk posed to data security and privacy protection. Losing control of data, compromising the customer experience, conflicted intellectual property rights and weak access-management are all significant concerns for every business embracing the new technology platforms. With the proliferation of mobile devices too comes an added risk to the integrity of a business’ central network; simultaneously connected but also beyond the robust on-site management of PC’s, businesses must leverage their security policies to appropriately manage the risk mobile devices pose.

Summary

As businesses continue to navigate themselves around these shifting socio-economic landscapes and attempt to stay afloat, high-level expertise will become a necessity, not just a point of competitive advantage. With many businesses unable to shoulder the cost or spend the time on constant non-core skills management, the working world must move towards a new environment of shared specialisms and cross organisational expertise. Intelligent partnering provides an opportunity to seize the true potential offered by this rapid evolution, even as boundaries continue to shift and new questions – such as the ownership of virtual space and intellectual property rights – continue to challenge businesses the world over, break new ground, and drive new capabilities.



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