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Operating Model in a Digital World

An introduction to Digital Operating Model

DIGITAL
Customer Experience

People matter, results count.

Operating Models have defined the way that we work and operate for centuries. A good set of architectural blueprints are essential to successfully build a new office. The same is true if you want to build a successful business; you need a good set of blueprints on which to lay the foundations and undertake the detailed design and implementation. In other words you need an Operating Model.

Like modern office designs, businesses are responding to digital stimuli and the changing needs of their customers. Digital is taking the world by storm, transforming everything in its path. Those who transform reap the benefits; those that don't get left behind. So, just as the blueprints for offices have changed in the digital age, the blueprints for businesses – their Operating Models – also need to evolve.

Digital Operating Model

What we mean by Digital Operating Model (DOM) is operating model for a digital world, and it replaces Capgemini's previous operating model methodology. The DOM methodology represents an evolution of our existing practice. It has been built upon Capgemini's global expertise in understanding how digital is affecting the outcomes we are delivering to clients and how to deliver these outcomes. It is these outcomes and an iterative delivery approach that will allow our clients to be competitive in a rapidly changing, digital business context.

The world our clients operate in is changing fast. The current pace and breadth of change now requires some of our clients to exist in a constant state of evolution, rather than relying on one off changes every few years.

The DOM builds on Capgemini's well developed Operating Model capability by putting the customer at the centre of business change. The DOM approach tethers the traditional approach to four main digital themes:

1. Customer Centric

2. Data Driven

3. Pace, Integration and Agility

4. Business and Technical Alignment

By focussing on these themes, DOM delivers outcomes that enable clients to respond flexibly in markets where technology can change things both quickly and profoundly.

The implementation of the DOM retains the idea of flexibility with an iterative approach to delivery that runs design work in parallel with piloted deployment. The result is a robust DOM that evolves based on real world testing and data. It also leads to a tightly aligned Operating Model with a high level of stakeholder buy in, but which remains flexible enough to change over time.

Operating Model at the Heart of Digital Transformation

The digital economy is entering a new age that presents unprecedented challenges for all CEOs. Digital tools are invading the business environment, provoking significant changes in the way that we work, communicate, and sell. This has given rise to new opportunities and challenges, and has triggered the Digital Transformation of enterprises.

The digital journey is about treading uncharted and unfamiliar territory. It is riddled with questions and challenges. CEOs increasingly want to understand what their organisation will look like at the start of their Digital Transformation journey. We have therefore positioned DOM as part of our Phase 1 offering, providing the link between Digital Strategy and Customer Experience.

Digital Operating Model Dimensions

Capgemini's Operating Model methodology is centred around nine dimensions. There are six digital architectural components and three integrating mechanisms. The integrating mechanisms provide the glue, ensuring that the architectural components work together and deliver the required business outcomes.

> *To make digital part of the lifeblood of the organization not only requires strong vision and investment, it also requires accelerated deployment across the business*
>
> *- Digital Transformation Review No 4 – Accelerating Digital Transformation*

Digital architecture components:

Channels facilitate engagement with customers and development of the customer experience

Business processes define value-adding activities toward end-customer value and enable continuous improvement

Organisation structure directs capability and resource to process activities through accountability and interaction

Physical infrastructure provides property, facilities, equipment and value-adding assets to enable business

Digital IT architecture efficiently coordinates applications and infrastructure (e.g. web spaces, cloud storage) to support business process outcomes

Data and information are the raw materials for analysis and insight that can give a business a competitive advantage

Integrating mechanisms:

Culture and leadership includes a collective mindset alongside clearly modelled target behaviours

Enterprise performance management leverages data and information to direct and monitor business

Governance provides clarity and simplicity, allowing for considered but quick decision making, authorisation and key approvals

> *The impact of digital technologies is now felt not only in the IT department, but across the entire organization, creating a huge demand for digital skills*
>
> *- The Digital Talent Gap Developing Skills for Today's Digital Organizations*

Organisations may choose to undertake a transformation of their entire Operating Model, or focus on one or more of the dimensions.
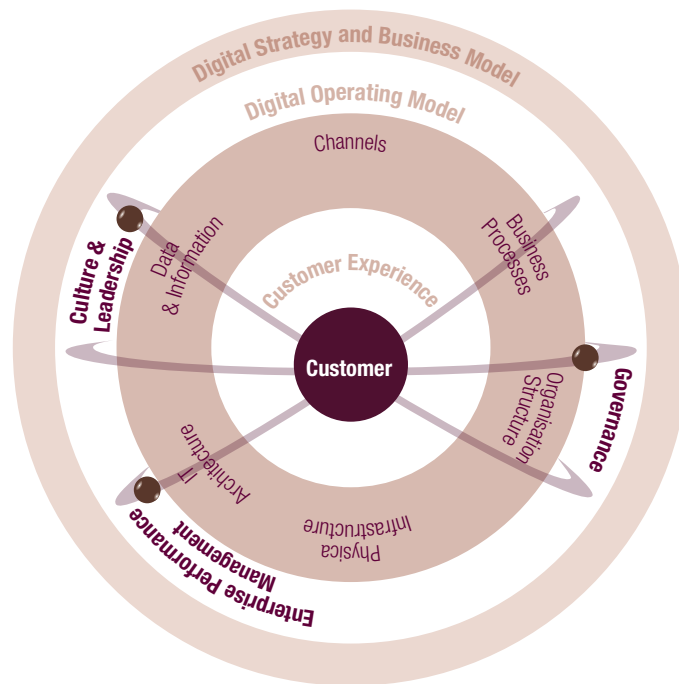
Digital Themes

Capgemini's global experts have identified four key themes that fundamentally impact the way organisations operate in the digital world.

1. Customer Centric:

- What is happening: Digital technologies provide customers with a wealth of easily accessible information, enabling them to make smarter, more informed choices. Crowd sourcing and a vast set of data available to them mean that customers expect a higher level of service.

- How this has impacted Operating Model: The implication is that we must place the customer at the heart of Operating Model design work. We must focus on customer needs, clearly define customer interaction channels, and break down silos within organisations to enable a single view of the customer.

2. Data Driven:

- What is happening: 90% of readily available data has been created in the last 2 years and there is great

pressure to make use of it. Our MIT research found that businesses who were able to take full advantage of Big Data have improved their performance by 26%, is predicted to grow to 41% by 2016.

- How this has impacted Operating Model: The data gathering, analysis and management process, along with data protection, must be a central consideration during the design phase. We also need to ensure that decisions surrounding the Operating Model utilise analytical tools, for instance using volumetric modelling to review and quantify the impact on FTE requirements and costs.

3. Pace, Iteration, and Agility:

- What is happening: In an age where disruptive technology is continually coming to the market, an organisation needs to be able to react rapidly and with agility to keep pace with the competition. Agile techniques allow an organisation to get something in place quickly, and improve on it incrementally. Google,

Facebook, and Apple are classic examples of these techniques.

- How this has impacted Operating Model: Just as agile organisations focus on the rapid delivery of components and then refinement over time, we need to take a similar approach when designing an Operating Model. This means: 1) Rapid delivery of a high-level model; 2) Iterative design, which tests and socialises the model; 3) Collaboration, with operational stakeholders at the centre of the detailed design and review.

4. Business and Technology Alignment

- What is happening: In the past, differences in objectives, culture, and incentives have led to unaligned IT and business functions. This rift generally results in expensive IT systems providing inadequate return on investment. Digital has brought technology to the heart of organisations, blurring the lines between the IT and business functions. Technology can no longer be considered a distinct part of the business. Technology must be embedded across the organisation to deliver customer led opportunities.

- How this has impacted Operating Model: Firstly, the ownership for digital needs to be established. Some organisations have introduced Digital Service Units (e.g. Nestle), whilst others have created the role of the Chief Digital Officer (e.g. HMRC). Secondly, everyone in the organisation needs to be more digitally aware. With these two changes in place everyone can take responsibility for ensuring that the business and IT understand each other's requirements and work together. Similarly when designing Operating Models we need to combine Capgemini's methodology and experience with our knowledge of leading technical solutions.

DOM Methodology

Whilst the traditional Operating Model methods and deliverables still form the bedrock of our DOM approach, the methodology has evolved to address the four Digital Themes and meet the needs of our clients.

The traditional, long, design-build-implement approach no longer works for our clients. To do this risks spending substantial time and effort building something which is not fit for purpose, or finding that there is alr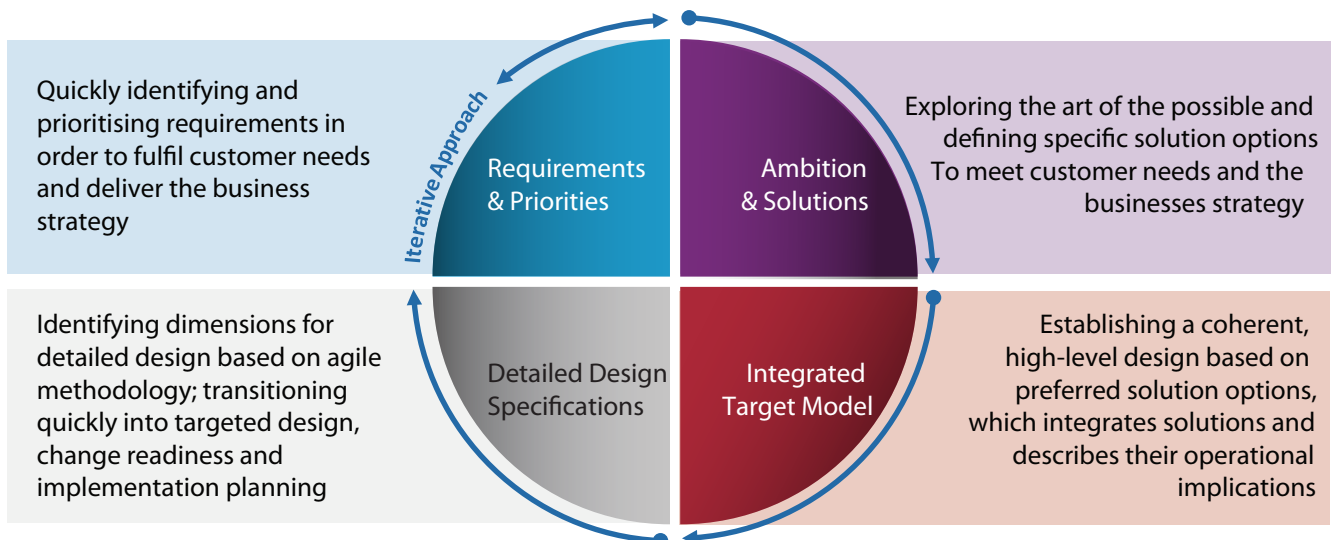eady a better model available by the time that the design is completed. Instead we need to rapidly create a high-level model, which is adaptable to change and sets the initial direction for implementation (and benefits realisation). Detailed design and implementation phases then run in parallel to encourage an iterative approach and reduce risk.

One of the most important differences between DOM and previous OM methodologies is that its approach is non-linear. DOM takes an iterative approach that enables client needs to define the order of work and allows each of the "Requirements and Priorities" and "Ambition and Solution" stages to be revisited a number of times throughout the process.

When considering the steps below, the aforementioned Digital Themes should be considered and brought in at each stage.

> *The last ten years were pretty rough. The next ten years will be even more disruptive*
>
> *- Digital Transformation Review No5. Gearing up for Digital Operations*

The four stages of the DOM Methodology

Quickly identifying and prioritising requirements in order to fulfil customer needs and deliver the business strategy

Requirements & Priorities

Iterative Approach

Ambition & Solutions

Exploring the art of the possible and defining specific solution options To meet customer needs and the businesses strategy

Identifying dimensions for detailed design based on agile methodology; transitioning quickly into targeted design, change readiness and implementation planning

Detailed Design Specifications

Integrated Target Model

Establishing a coherent, high-level design based on preferred solution options, which integrates solutions and describes their operational implications

Case study – Public Sector

In 2010, a public welfare organisation set out a strategy to reduce the total losses across all benefits due to fraud and error. This challenge also presented an opportunity to build a new Operating Model embracing the digital revolution by:

- Encouraging 'digital by default' to ensure online applications would become the primary channel for communication with claimants
- Using Big Data in order to identify individual fraudsters and organised networks earlier in the value chain
- Developing defences against cyber fraud.

In 2011 Capgemini Consulting started a one-year project to design an end-to-end Target Operating Model for the client's new Fraud and Error service. We delivered a level 0 to level 3 operating model, following an iterative approach (6 iterations created over 12 months) to build an Operating Model with the claimant at its heart (with business scenarios detailing the impact of the new DOM on claimant journeys). The model was supported by volumetrics, with processes and organisation design fully aligned with the new systems that were being developed.

Case Study – Private Sector

Capgemini Consulting worked with an Irish/UK grocery retailer with around €5bn revenue in 2013 which understood the importance of customer-centricity. In order to improve profitability they needed to develop their digital capability by creating a vision for their customer experience and developing a supporting operating model and technology solution.

As well as considering and constantly revisiting the impacts of digital and multiple channels throughout the Operating Model design, there were several key components of Digital Operating Model evident in the approach. These included:

- **Pace:** An accelerated path to rollout over an 8 week period was set and kept to through a 'drumbeat' of regular stakeholder events to drive input and ownership
- **Business and technical alignment:** Technical architecture was mapped alongside the operating model, demonstrating an integrated approach
- **Customer Centricity:** At the heart of enabling this vision is a single view of the customer that is derived from every touch point
- **Customer Journeys** were also used to identified capabilities required in the new Operating Model

Conclusion

DOM is a new approach to delivering Operating Model design work, evolving from Capgemini's previous expertise, and updated to provide an answer to the new challenges that our clients face in a digital world.

DOM represents a change in delivery as well as design: it differentiates itself from previous methodologies through its iterative nature, and the fact that steps can be done in a different order, and repeated a number of times to suit the different needs of our clients.

DOM is tethered to the four themes of: 1. Customer centricity; 2. Data driven; 3. Pace, iteration and agility; 4. Business and technical alignment.

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About Capgemini

With more than 130,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2013 global revenues of EUR 10.1 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

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People matter, results count.