

## View Point



### Smarter Organization

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#### Introduction

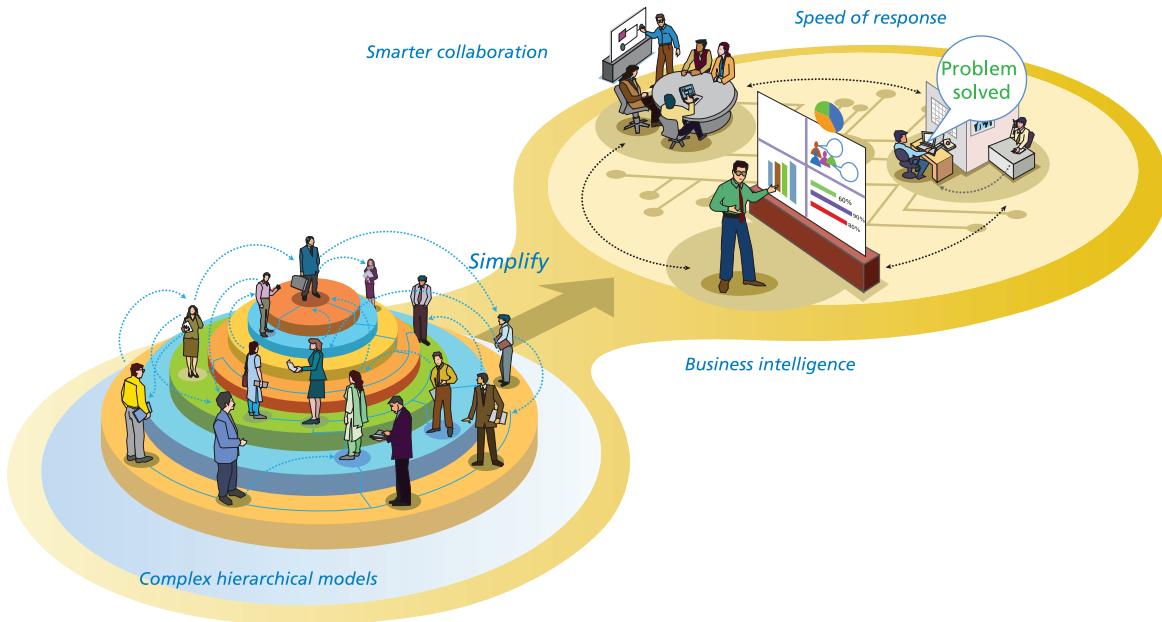
Smarter organizations are those that are able to deliver long term value by creating a critical balance between operational excellence and continuous innovation. Since 1955 when the Fortune 500 list was started, 1950+ companies have made it to the list<sup>1</sup>, however only 66 have been able to remain in the list consistently. It shows that while getting to the top is hard, staying there is harder. Most companies do well when the market conditions are suitable, but are unable to adapt to the business cycles. Others survive downturns but are unable to rebound. Smarter organizations therefore will have to predict and adapt to changing environments and have an excellent knowledge management system so they do not suffer do to loss of knowledge or skilled employees.

The increase in global connectivity powered by the internet and globalization is resulting in a dramatic increase in the speed of business. Competition is becoming global. Regulators are rapidly changing regulations as they too discover the nuances of these globally connected marketplaces. Consumers demand is changing rapidly as they seek hyper personalization. The rate of innovation is increasing and new challengers are emerging from across the board. In this rapidly evolving landscape, it becomes increasingly difficult for large businesses to focus their efforts and be relevant. Smarter organizations will be to not only focus their innovation efforts but also accelerate their speed of innovation in order to stay ahead.



## Building smarter organizations through Simplification, Adaptability and Learning & collaboration

Smarter organizations will have to focus on three aspects going forward- Simplification, adaptability and learning & collaboration. With rising complexity, an increasingly diverse workforce and volatile market conditions, it is crucial that organizations of the future have to start focusing on tackling these problems in order to emerge smarter.



## Simplify

Organizations grow by adding new products, new features, new markets, new locations, new suppliers, new customers or new acquisitions. In order to support this growth, they are required to either create new processes, systems and structures or integrate and create new interdependencies. Citibank once realized it had 150000 versions of a simple demand deposit account – and associated systems and processes to support it<sup>2</sup>. Target found that it was managing 88 types of Pantene shampoo in its stores<sup>3</sup>. Overwhelmed by complexity of changes due to globalization, internet, and competition, even large firms have found it difficult to cope with these changes. Smart organizations realize that lack of clarity of strategic direction makes it difficult for managers to identify which structures to strengthen and what to let go. So, smarter organizations must state their strategic intent with no ambiguity. This enables clear identification of where the company will focus its innovation efforts and where company will drive standardization and rationalization.

In a fast paced market environment, where demand for localization and personalization is intense, many organizations are struggling to control proliferation of products and offerings in the name of growth. One of the largest multinational conglomerates for instance, balances the needs for localization and product proliferation by doing micro segmentation of even the new markets that it is trying to enter. This helps them identify the real opportunities rather than going after the broad segments. It has also put in place a collaborative structure that connects local market experts to global product development teams. This ensure they address the needs of local markets that are driving growth and at the same time do not unnecessarily increase the complexity of their product portfolio.

Nevertheless, how does one get rid of already existing complexity – often termed as ‘legacy’? Lack of measure and incentives for continuous simplification is one the primary reasons for inertia in this regard. Air Products and Chemicals have found a way to break this inertia and enable continuous simplification. They have a well-defined measure called “Standardization Index” which measures the deviation from the prescribed standards. The portfolio managers are then incentivized by linking the next cycles funding to the improvement shown.<sup>4</sup>

As organizations become large, complexity creeps in. Getting the same thing done takes more effort – bureaucracy starts showing up. Dense interconnections rise as organizations grow. It makes it difficult for organization to change and adapt. This results in stress at the workplace. It stalls growth for the organization and worse, causes catastrophe leading to long term value erosion. Smarter organizations must realize that complexity needs to be monitored and managed proactively. They are not only driving standardization initiatives to eliminate complexity but also incorporating complexity modeling and measurement into business decision-making to calculate the ‘real costs’ of new initiatives.

The phenomenon of complexity is not new and has been studied in mathematics and computer science for several decades now. However recently, there has been significant interest among management academics to study behavior of complex dynamic systems and apply the learnings in the organizational context. Several techniques being developed are bringing formal scientific approaches to management. As complexity in the business environment increases, smarter organizations are redoubling their efforts on simplification by incorporating tools that help them model, understanding and manage complexity proactively.

## Collaborate and learn

Today, large global organizations face 3 key knowledge management challenges. The first is that there is a significant risk of knowledge attrition due to an ageing workforce. The US Bureau of labor statistics reported that during the period 2006-2016, workers aged 55-64 are expected to climb by 36.5% and the number of workers between the ages of 65 and 74 and those aged 75 and up are predicted to soar by more than 80%. The number of workers aged 35 to 44 is expected to decline by 27% in Germany, 19% in the U.K. and 9% in Italy. In Japan, that age group is expected to shrink by 10%, and by 8% in China.<sup>5</sup> Simply put, the people who build the organizations are retiring in bulk. The rising complexity in organizations combined with this potential loss of knowledge is worrying. This is specially a problem in asset heavy industry that relies on the competence of these ageing workers to manage the company’s ageing assets.

The other big problem that organizations are facing is that of engaging the new millenials who are entering the workforce. These millenials have grown up in a digital era and have very different expectations from the workplace. The way they consume information, their ease with technology and their need to learn in a connected environment will require organizations to rethink the experiences they provide to these new employees.

The third challenge that global organizations have to overcome is that of a distributed workforce. It was reported recently that 3 out of 5 people work away from the headquarters of an organization and that 80% of the training costs are spent on travel and lodging expenses. Due to globalization and talent availability, it is becoming pertinent that organizations understand the needs of distributed work to ensure that teams working across diverse cultures and geographies are able to connect, collaborate and succeed. Traditional classroom based methods for learning and program management tools are proving to be significantly inadequate with distributed teams.

Smart organizations have to proactively relook at how their employees collaborate and learn. Several global companies are today leveraging alumni portals to manage connections with their ageing employees. For instance, Shell Oil Company launched a web site called AlliancexShell that allows ex-employees living around the world to post their resumes, detailing their Shell and other work experience that the company can then search for boomerang hires<sup>6</sup>. They are leveraging these connections to re-hire employees for specific consulting assignments. Deloitte & Touché, the accounting giant, has estimated that hiring former employees helped save \$3.8 million in search firms in just one year<sup>7</sup>. To accelerate transfer of knowledge from experienced workers to new employees, Chevron created several communities of practices around them and new employees could raise/discuss day to day issues they faced in these communities. Several automotive companies are providing virtual simulation and design environments for learning and experimentation to their employees. Smarter organizations are re-designing their workplaces to make it more collaborative and facilitate the accelerated flow of information among distributed teams. We are seeing the rise of next generation digital workplaces that will enable distributed work, collaborative learning and proactive recommendations.

Smarter organizations are going beyond the organization to collaborate and learn. Through the connect and develop program P&G has enabled its product teams to learn and innovate faster with partners. More than 50% of P&G's products have innovations that come from outside the company<sup>8</sup>. This has allowed P&G to focus on what it does best and at the same time deliver higher value to customers. Nike+ is yet another example of how smarter organizations are engaging their customers to better understand their needs and co-create their next generation products.

While ageing workforce, millenials and distributed teams are throwing new challenges for organizations of tomorrow, the rise of social media, collaboration tools and machine learning techniques are opening up new ways of doing work. Smarter organizations are rapidly adapting this new reality and transforming their workplace in order to realize the 'new productivity' gains.

## Adapt

The recent financial crisis took many by surprise. It has reset expectations about how fast business environment can change in a globally connected environment. 76 companies fell off the Fortune 500 list in the two years after the financial crisis. CEB (corporate strategy board) reported that the inability to adapt post the financial crisis has resulted in 5% loss in profit growth. Smart organizations will have to realize that the velocity of change will continue to increase and that the ability to adapt quickly will become a strategic capability for succeeding in tomorrow's world.

Most importantly, smarter organizations will require strategic agility. To adapt to the changing environment, organizations will have to keep up by improved scenario planning techniques. It is crucial for organizations to have strategic focus and agility so they can adapt and learn faster and identify trends and requirements so they can direct innovation efforts accordingly. Take for instance, Ericsson's strategy teams which work diligently with the business executives to sense megatrends and translate them into business opportunities and thus strategically influencing the decision-making process. At Infosys, we leverage social media to engage a large number of employees during the strategy formulation process. This ensures deeper understanding of the company's strategic direction among employees and enables them to realign their activities.

Smarter organizations are those that are agile and therefore deal best with uncertainty. To understand this, take the instance of traditional energy companies like oil. Structural and operational changes combined with external environment create a high level of uncertainty in their future. Most large energy companies have now started investigating alternative sources of energy to prepare for eventualities. Therefore as uncertainty increases in the business environment, smarter organizations are continuously improving their capability to sense rapidly, predict and build modular environments can be dynamically configured.

# Conclusion

What can be predicted about the future with some certainty is that complexity will increase, connectivity will increase and so will the velocity of change. It has therefore become clear that those organizations which are unable to accelerate their innovation are left behind. Infosys is working to help clients adapt, prepare and succeed in the future by co-creating personalized solutions with help of various innovation accelerators. These innovation accelerators are products and solutions already developed by Infosys that can be brought in to help accelerate our clients' innovation efforts.

To be successful in tomorrow's business environment, we believe that smarter organizations will have to continuously simplify, accelerate collaboration & learning and enhance their ability to adapt to tomorrow's challenges. Infosys' innovation accelerators have been mapped to the various drivers in order to help clients' focus their innovation. For instance, to help in simplification requirements, Infosys has learning solutions and unified communications and collaboration solutions such as Lite and SEAL. To match the learning & collaboration needs, Infosys has created solutions such as the Next Generation Digital Workspace (NGDW). Infosys helps clients adapt and prepare with Complex Events Processing (CEP) solutions which help in taking an organization's decision making abilities to the next level. These innovation accelerators amidst others, can help speed up our clients' innovation journey and help them stay ahead and succeed in the future.

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