Resourcefulness reimagined

Automating processes to drive change

Microsoft

Empowering organizations
for what's next

"

If you are successful, **that means you've gotten the idea right,** you've built the right capability to go after that idea, and your culture reinforces it.

"

Satya Nadella
CEO, Microsoft



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The starting line

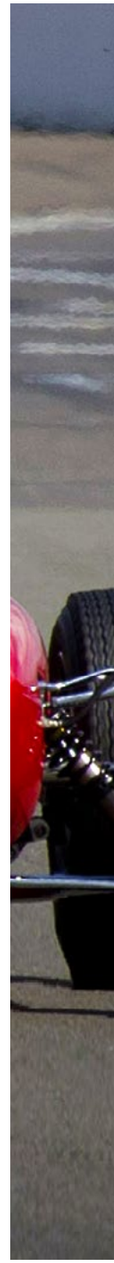
***Overhead* is usually looked upon with derision, in both the private and public sectors. The term has come to signify modern wastefulness. The red tape and bureaucracy of governments or the exorbitant and untraceable costs of business activities can reduce overall effectiveness, worry management, or anger stakeholders.**

Yet, despite the disdain, overhead grows out of necessity. As departments and processes expand, they increase in complexity, and so does the cost of managing those activities. This phenomenon introduces a paradox: while secondary costs can enable business growth, they can also hinder growth.

Consequently, cost controls have become a favorite activity for lawmakers and company management—the latter as evidenced by the attendant jump in stock price that accompanies a layoff announcement. But this cost fixation has other, often unintended consequences: remaining employees work longer hours, less maintenance is completed, or IT systems remain unpatched. Because resources are limited, it is often secondary activities that are on the chopping block.

However, routine support activities have spawned entire industries—ever since the establishment of modern accounting practices in the fifteenth century—and now make up a significant portion of every value chain. From recruiting to logistics to customer relationship management (CRM), essential processes—and the employees who perform them—are beset on all sides to perform better, faster, and cheaper. Most companies devote significant resources to, and struggle with, the pressures imposed on them by their stakeholders.

Attempts to mitigate and unify control over resource management present a puzzling question: how much is efficiency worth? Though there is clear value in aligning processes and proficiently deploying resources, historically, monolithic enterprise resource planning (ERP) systems requires a considerable investment, and their implementation is fraught with risk. Indeed, no CEO wants their organization exposed on the front page of the business journals for a costly and protracted ERP and CRM implementation that ends in failure. Yet, competitive pressures and government mandates are forcing enterprises to adopt these large-scale systems.



Timeline

The business of running a business can be a challenge.
As organizational structures grow ever larger and more complex, so too do the activities required to keep things running smoothly. These secondary activities generally do not add any value for the end user, and have long been a favorite target for cost reduction and automation. In nearly every respect, automation has resulted in a net increase of productivity for workers in the value chain.



1888
The invention of automated telephone exchange reduces the need for operators.

1945
Elevator operators in New York City strike to protest driverless elevators.

1967
Barclays Bank opens the first automated teller machine in North London.

1974
The Wang 1200 word processor stores text on disc, eliminating the need for retyping.

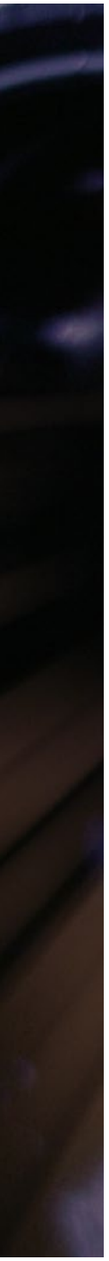
1981
The introduction of standard email protocol facilitates communication worldwide.

1990
Gartner introduces the term *ERP* to describe enterprise-wide computer systems.

1995
Commercial traffic is allowed on the internet, sparking the Age of Information.

2013
Columbia University study shows self-driving taxis lower operating costs by 88%.

2014
Blockchain 2.0 allows for secure, automated execution of contracts and processes.



Increasing downforce

The external forces continue to mount: budgets are tightening, customers are changing, margins are getting squeezed because of cloud-enabled business models. The long used supporting activities that keep an organization running are under tremendous pressure.





The rules of the road

The operating environment of an organization imposes restrictions on how business is conducted, often in significant ways. Compliance issues related to staffing, accounting, and data protection mandates (like the General Data Protection Regulation) require resources to actively monitor them, adding significant costs but not value. Businesses, in particular, complain about the changing regulatory burdens, which can reduce profit margins and raise the cost of goods and services for the end consumer. Failure to comply, however, results in significant economic penalties and reputational risk. Too often we see organizations failing to meet the legal standards not because of defiance, but because of constraints on time and effort.

DATA POINT

Data breaches at Equifax resulted in the exposure of **up to 188 million** personally identifiable records.

Source: Reuters, October 2017

New hotrods

Unburdened by legacy concerns and bureaucratic red tape, new entrants are finding inventive new ways to manage enterprises, deploy resources, and employ human capital. Upstarts, willing to challenge orthodoxies and flout established practices, have already radically transformed many industries and will continue to do so at an ever-increasing pace. The usefulness of organizations as wide ranging as global logistics companies to municipal administrations are being called into question as digitally savvy startups reimagine workflows and customer interactions.



DATA POINT

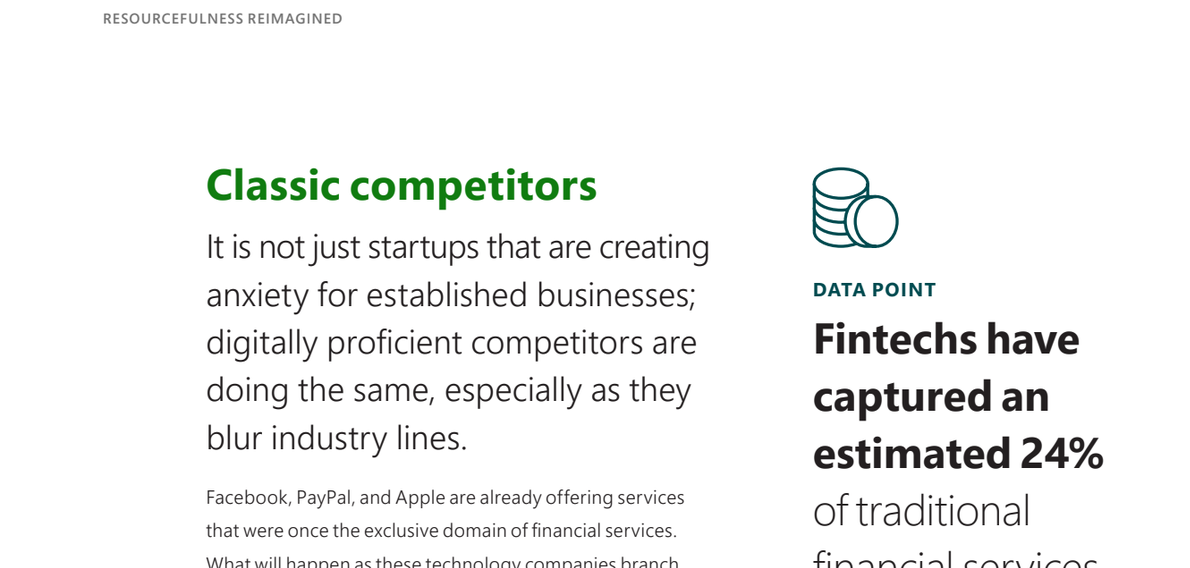
The global market for advanced meter infrastructure, software, and analytics **will exceed $10 billion by 2021.**

Source: GTM Research, October 2016

Classic competitors

It is not just startups that are creating anxiety for established businesses; digitally proficient competitors are doing the same, especially as they blur industry lines.

Facebook, PayPal, and Apple are already offering services that were once the exclusive domain of financial services. What will happen as these technology companies branch out into other industries? Just as local businesses were unable to compete with the economies-of-scale that large companies enjoyed, inefficient and antiquated companies will be unable to keep pace with their digitally powered brethren.



DATA POINT

Fintechs have captured an estimated 24% of traditional financial services revenues.

Source: PwC, March 2017



The driver

The connected and empowered customer has an outsized effect on organizational operations and has led to the rise of CRM. Accustomed to the delivery of many products and services when, where, and how they want, users are demanding that other organizations follow suit. Glaring inefficiencies—filling out multiple forms, waiting on hold to be transferred, or needing several approvals—results in a poor customer experience. End users will simply not tolerate excuses like systems not talking to each other and will vote for an alternative, usually with their wallet. Conversely, businesses with high-performing CRM systems can drive greater sales momentum, customer service, productivity, and performance.

DATA POINT

75% of people expect a consistent experience across channels, and **64% expect real time interaction.**

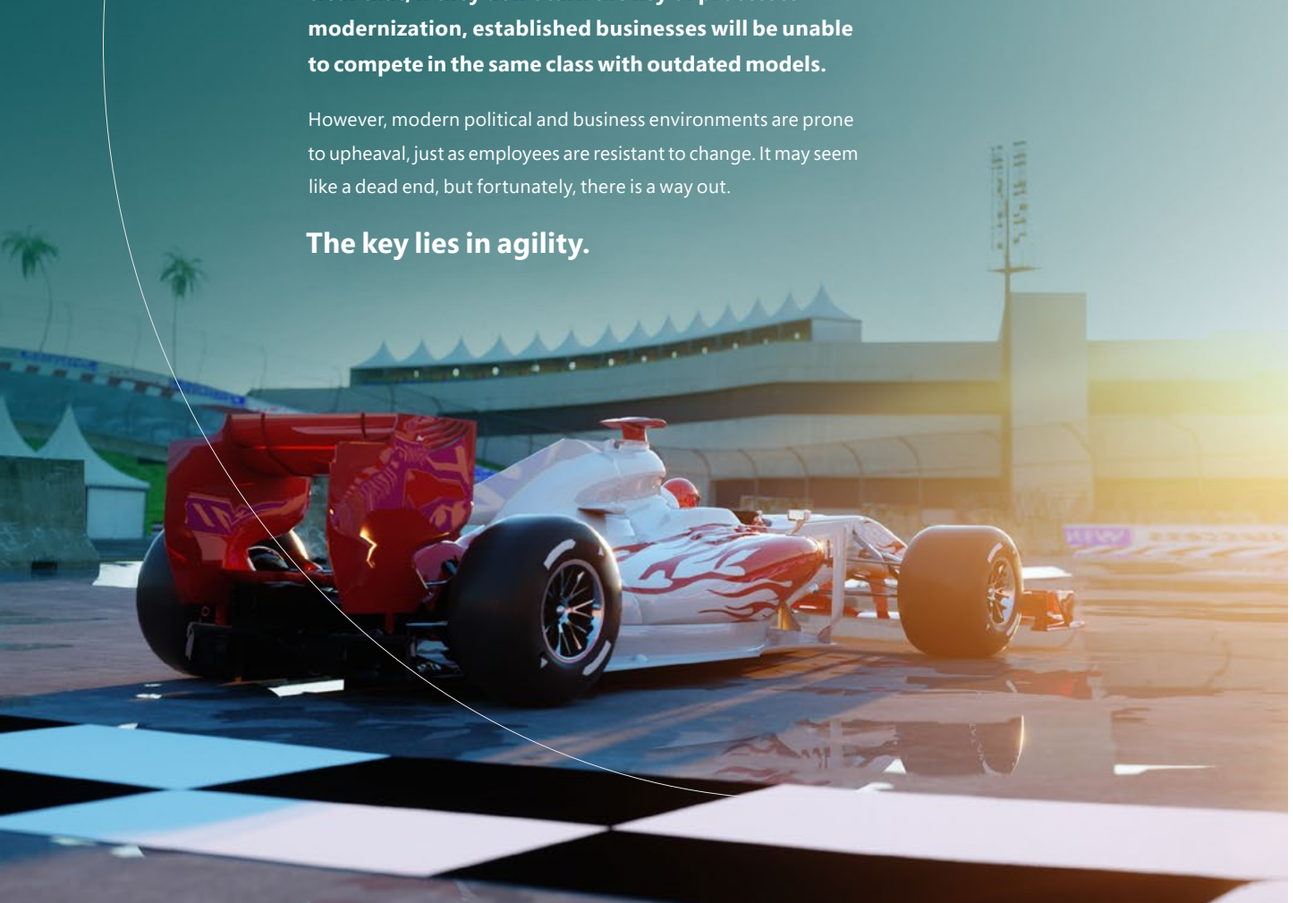
Source: Salesforce, July 2017

Start your engines

It is understandable—with the mounting pressures and uncertainty—that many organizations are wary of undertaking such monumental change. Regardless, it is clear that, if they don't turn the key of processes modernization, established businesses will be unable to compete in the same class with outdated models.

However, modern political and business environments are prone to upheaval, just as employees are resistant to change. It may seem like a dead end, but fortunately, there is a way out.

The key lies in agility.



"A journey of a thousand miles begins with **a single step.**"

Lao-Tze
Founder of Taoism



DATA POINT

CIOs consistently cite resistance to change as a top barrier.

Source: IDG, October 2017

Pace setting

Many, if not most, ERP and CRM system implementations fail to live up to expectations. And though poor planning and poor execution grab headlines, institutional inertia is the most common reason cited for poor performance. Much of the problem lies with the large-scale nature of an ERP rollout and "go live" date. Systems that have been under development for years, and that serve as the literal backbone of an enterprise, are turned on all at once, resulting in confusion, lost productivity, and unpleasant headlines.

Instead, imagine a system that could be implemented on a rapid schedule, possibly piece by piece. Such a system not only makes it easier for internal users to adapt to change, but also allows for revisions when external factors change, permitting organizations to respond with agility.

Fuel choice

Most organizations have collected records on every facet of their operations, from inventory and transactions to employee statistics and customer interactions. But much of this data resides in different systems and formats because it has been used for different purposes. Though each department or division may be functioning as intended, it could be causing impacts to other areas. In other words, the left hand doesn't know what the right hand is doing, which results in time and energy spent on reconciliation, root cause analysis, or accounting allowances.

Organizations are rich—even awash—in data, but are poor in insight. Though data is often touted as the new currency, in reality it is more like a fuel. The real value lies in what is done with it—with the information that is extracted from the data.

With the data freed of its individual silos, advanced analytics and artificial intelligence (AI) can employ the near infinite computing power of the cloud to draw connections, structure the unstructured, and generate truly valuable and predictive insights.

Course conditions

Armed with insight, an organization has an opportunity to get a 360-degree view of itself, as well as of its employees, customers, and ecosystem. In the ongoing effort to reduce overhead expenses, having a better understanding of where, when, and how waste is created is the first step in eliminating unnecessary spending without sacrificing quality, experience, or revenue.

Using an ERP system, better knowledge about employees can boost training effectiveness and engagement, while with a CRM system, a more complete understanding of customers can increase retention and create additional service opportunities. In a fully efficient ecosystem, there is virtually no differentiation between ERP and CRM systems: they are different sides of the same business application platform. Recognizing this can be a tremendous benefit.



The road less traveled

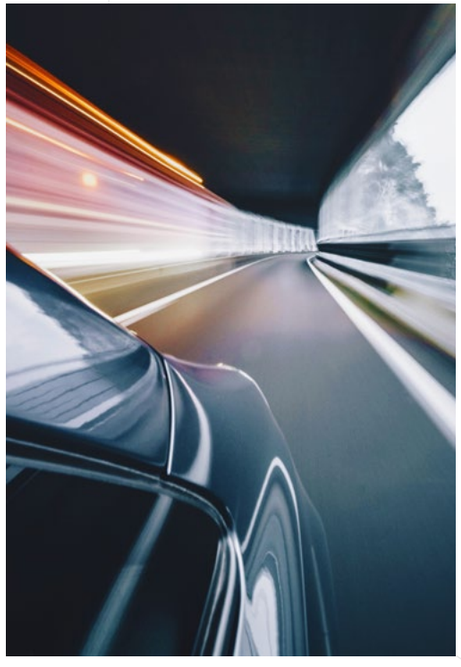
In a future where operational excellence becomes more commonplace, the importance of design increases. The ability of organizations large and small to differentiate themselves becomes a paramount concern. Unburdened by runaway overhead costs, companies can explore how to distinguish themselves, from developing innovative new products and services to increasing investment in employee training and engagement.

No longer engaged in a race to the bottom, organizations can increase focus on delivering superior results and pushing the boundaries of design and quality.

The future grand tour

The continual advancement of technology, connectivity, and AI-driven decision-making may be a cause for concern in popular culture, and can paint a picture of a dystopian, machine-ruled future.

Though apocalyptic speculation may be entertaining, the future is likely to be less dramatic than that. Organizations—and the people in them—will spend far less time performing mundane and repetitive tasks, and will instead be able to focus more of their time and attention on driving value-adding activities and outcomes.



"Creativity comes from looking for the unexpected and stepping outside your own experience."

Masaru Ikuba
Co-founder of Sony





Where the rubber meets the road

Though the importance of customer service has been part of modern organizational operations for many decades, the emergence of customer experience focused companies gained significant momentum as the world recovered from the Great Recession. Unlike the more traditional low-cost leadership, customer engagement and experience is now defining the future of many industries. New entrants, born in the cloud and digitally adept, are tossing aside traditional business orthodoxies and are continually exploring new methods of customer engagement.

Established organizations, no longer shackled by the crushing burdens that accompany runaway overhead expenses, are also free to explore new methods of customer engagement and experiment with adding value to the customer journey.

Experimental prototypes

In the not-too-distant future, automation and AI will completely transform nearly every company and organization. And though there is always some anxiety surrounding change, there is no reason to think that this industrial revolution will be significantly different from previous ones. Old industries will change, and new ones will advance as restrictions lessen and operational efficiency becomes the norm.

Imagine a future where the value of human capital is not constrained by shuffling papers and navigating bureaucracy but rather unlocked through creativity. Able to devote their time and mental energies to conceive new processes while using an agile application platform to test and deploy those ideas, employees will focus less on what they do and more on how things should be done.

The checkered flag

In racing, just as in business, the driver relies on the seamless function of all the machinery to steer the car and cross the finish line.

All systems need to work, in perfect sync, to translate power from the engine to the road. The promise of an integrated and simplified platform, where there is no differentiation between ERP and CRM, can empower employees across the enterprise to work more efficiently and with reduced overhead.

At Microsoft, we understand that large scale business applications can be daunting—we've invested billions of dollars in creating secure, enterprise ready technologies that will allow our customers to adapt and compete in a rapidly changing marketplace. Whatever the future may hold, we can help you get there.

Our approach applies technology in novel ways—empowering business agility with the future of enterprise applications.

We are at the forefront of predictive analytics and cognitive services.

The combination of predictive analytics, machine learning, and intelligent agents on a powerful cloud computing platform has ushered in a new era of possibility. At Microsoft, we're focused on building AI solutions that span infrastructure, services, apps, and agents—empowering enterprises with the agility and innovation they need in the new economy.

We understand the promise of the cloud.

From smart cities to global logistics, we understand the complexity and the power that connected devices and greater insight can bring to any enterprise. Our comprehensive approach helps our customers design, visualize, and test new ideas, while enabling a more flexible and convenient experience.

We provide secure solutions to help enterprises create an open, agile, and secure platform.

Remove silos and drive engagement—be more agile, collaborative, and client-centered. With its productivity, collaboration, and unified communications tools, Microsoft enables widely distributed and highly regulated institutions to build the environment needed to function as agile, innovative organizations.

We are innovative digital advisors on blockchain architecture.

Our Blockchain-as-a-Service provides a rapid, low-cost, low-risk, fail-fast platform to enable enterprises to collaborate together, and is backed by a cloud platform with the largest compliance portfolio in the industry. The result is a more open, transparent, and publicly verifiable system that will fundamentally change the way we think about exchanging value and assets, enforcing contracts, and sharing data across industries.

What's next?

No matter where you are on your digital transformation roadmap, Microsoft Enterprise Services can help.

Empower employees

Empower a high-quality, committed digital workforce to work as a team anywhere, on any device, with seamless data access—helping you innovate, meet compliance requirements, and deliver exceptional customer experiences.

Engage customers

Reimagine the customer experience for a digital world and deliver more value through insights and relevant offers by engaging customers in natural, highly personal, and innovative ways throughout the customer journey—driving increased relevance, loyalty, and profitability.

Optimize operations

Gain breakthrough insights into risk and operational models with advanced analytics solutions and act on real-time intelligence to optimize risk management and meet regulatory requirements.

Transform products

Drive agility with open, connected systems and automated digital processes to support new product development and optimize distribution channel strategies, while meeting the security, privacy, and transparency expectations of customers, regulators, and shareholders.

Credits

Many subject-matter experts from various groups at Microsoft contributed to the conceptualization and articulation of the story contained in this document.



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