Executive Summary
Adaptive and agile firms grow revenue 37% faster and generate 30% higher profits than non-agile companies, revealed a survey by the Economist Intelligence Unit in the wake of the financial turbulence of 2008 (2008-09)\(^1\). Don Sull, professor of management practice at the London Business School and author of the *Upside of Turbulence* says “In turbulent markets, organizational agility, as the capacity to identify and capture opportunities more quickly than rivals do, is invaluable.”\(^2\) Adaptive can also be equated with antifragile – the term coined by Nassim Taleb, essayist, author, and former derivatives trader in his book *Antifragile: Things That Gain from Disorder*. Taleb emphasizes that while the resilient resist change and stays the same, the antifragile get better and better.

The antifragile organization can ride the wave of change and stay afloat and chart a brighter course. They are highly adaptive because of steps taken and processes followed without fail. They have aggressively engineered an “instinct to evolve.” Leaders in these organizations know surviving and thriving isn’t about recognizing what you did wrong in hindsight. It’s about having the insight and foresight to adapt and outcompete amidst shifting tides.

Transforming the organization and its processes
The flow of information, decisions and resources that crisscross an organization must travel faster than ever before, along with faster execution, given that volatility is a certainty, in our global and connected economy today.

In this fast flowing current, organizations that are able to take better and faster decisions and run their operations with maximum effectiveness, are the ones that have the most power to adapt and be agile. These are enterprises where the leaders at the helm – the C-suite executives including CFOs, CPOs, COOs, work in tandem like the best crews on racing boats in stormy weather.

This ability is directly related to how integrated an enterprise is – not just across different functions, but within processes and at all levels – for instance underwriting to call-center cross sales in financial services, Know-Your-Customer (KYC) to Anti Money

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\(^1\)Organisational agility: how businesses thrive and survive in turbulent times: A report from the Economist Intelligence Unit

\(^2\)”Competing through organizational agility” in The European Business Review
Laundering (AML) in banking, in sourcing analytics to inventory optimization in manufacturing, or budgeting to stock market earning guidance in any industry.

Today, sales and operations planning require far more precision, speed and detail – necessitating not just cooperation but actual collaboration between various parts of the enterprise. The day-to-close financial reporting process is another example of how closely interlinked numerous enterprise functions can be, and how it can impact senior management decisions and the time to plan and prepare for discussions with stakeholders, shareholders and markets.

The web of business practices connecting the different functions in an enterprise were designed in less volatile times. Operations that were built for scale, today pose challenges in that they are inflexible – both in what they can do, and in their cost structure. Along with this, talent imbalances, technology, and process advances are defining what’s possible – making industrialized enterprise operations a viable alternative for a range of support processes.

Leveraging a global network of skilled workforce for both intellect and solutions is key to organizational agility in turbulent times. The ability to harness these resources in a frictionless way, irrespective of where they are, will be a defining trait for business process operations of the future. It will hinge on the adoption of global business models (such as the Global Business Service concept that industrializes support operations) and related practices and infrastructure, such as a truly intuitive Unified Collaboration (not just communication) environment. This in turn also allows for flexible business models and modular cost structures, as organizations are able to identify core versus non-core processes and eliminate redundancies and inefficiencies – consequently enabling the adaptive and antifragile organization that is ready to outcompete.

### Leveraging data and insight

Being adaptive starts with listening – and understanding the external environment. The most cited criteria according to organizations that have adapted, and adapted with success in a changing global environment, is the ability to track or measure customer and market sentiment. All enterprises – whatever the product or customer base, collect data on performance, market size, customer feedback, demands, but do they have the ability to decode this data?

To harness the true potential of data and analytics, systems across the business have to be integrated and synchronized to create a cohesive business intelligence framework. When this framework is in place, organizations can quickly identify the drivers of success in every division of an organization, anticipate the impact of change on key variables, measure progress toward enterprise objectives – and consistently deliver the value that stakeholders demand.

#### Organization eco-system

A diagram illustrating the relationships between external stakeholders, CEO/Board, Finance, Operations, Sales & Marketing, and Procurement, showing how they interact through various business processes and decision-making flows.
In many respects, building this framework – for effective “analytical enterprise behavior” is a process. Consider the following chart Leveraging data and insight in business processes (Page 4), which provides a view on the role of information as the pulsating lifeblood of a business operation. Better data doesn’t mean more effective insight. To become really effective, data needs to be turned into insight and provide visibility to the right people, constitute the foundation for setting the right operational metrics, and guide the actions of employees throughout the organization and its partner ecosystem.

The arc of data-to-insight, and the embedding of insight in the countless big and small decisions, is a process and should be treated as such. The reward for creating such an effective process is significant – because this is what drives agility in an organization.

According to the Economist Intelligence Unit Survey on Organisational Agility—rapid decision making and execution is the most important trait of an adaptive enterprise (61% of respondents) followed by a high-performance culture (44%), the ability to access the right information at the right time (34%) and accountability (34%).

As organizations grow, these four factors suffer from diseconomies of scale: for example, driving a common culture becomes harder across large teams, as does finding the right information. Building a scientific data-to-insight framework and embedding this in operations helps palliate such issues.

**Running processes with efficiency and effectiveness**

But organizational agility can’t be based on the power of data and global workforce alone. Processes and systems have to be robust and stable, and hence flexible to accommodate change. Automating, standardizing, and integrating fundamental processes and systems significantly increases an organization’s ability to problem-solve, improve decision-making and convert information into insight, directly impacting its ability to change. And this is an approach that is typically at odds with traditional structures – where individual sub-functions were optimized.

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3Organisational agility: how businesses thrive and survive in turbulent times: A report from the Economist Intelligence Unit
within their organizational silo. Such legacy processes are responsible for much of the organizational rigidity and slowness in responding to shocks.

Which is why for large global organizations, having process expertise is critical. For instance, enterprises with an end-to-end understanding and knowledge of their global order-to-cash processes, can respond faster to volatility of demand in case of a credit crunch, not only by changing credit risk limits but rather coordinating all aspects of the cycle including segmentation of receivables and flexible staffing of collection campaigns.

Similarly, scaling up and down in mortgage processing or the ability to access robust institutional banking KYC remediation “factories” to comply with new regulations in a cost effective manner is something adaptive organizations can do with ease. The same applies in manufacturing environments, for example by guaranteeing the same, mature, strategic sourcing practices even if the volumes fluctuate wildly.

The ability to quickly access managed services for order-to-cash, source-to-pay, and record-to-report for developing markets such as China and India has an impact on cost, quality and time.

Why this is critical to the adaptive drive, is because it is organizations with stable and strong processes that have the strongest ability to adapt. If an organization’s core processes and operations lack standardization and efficiency, it is most likely to be fragile. Building process excellence and best in class operations is integral to the adaptive roadmap.

**Adopting smart technology**

Technology is crucial to run large scale operations but the need for agility throws additional complexity at technology investments and related change management. To ensure that organizations respond to internal and external changes in real-time without compromising on operational efficiencies, technology has be deployable with shorter implementation times, easily configurable, mobile and seamlessly accessible through the internet.

In fact, recent research has shown that large ERP programs are becoming the exception as organizations turn to smaller, agile programs that don’t block capital and human resources. Understandably, many organizations struggle with the prioritization of technology initiatives and their scope.

An effective approach is to go in with much sharper focus and examine technology that enables the key drivers of operations process effectiveness – as opposed to everything the technology can do. There are instances where cloud-based solutions work
End-to-end process optimization resulting in 2-5 times higher impact on outcomes, e.g. Revenue dilution, Improved days sales outstanding (DSO) and cash flow.

### Traditional view: efficiency of a sub-process

<table>
<thead>
<tr>
<th>Input</th>
<th>Customer Set Up</th>
<th>Credit Risk</th>
<th>Deductions Management</th>
<th>Output</th>
</tr>
</thead>
</table>

Functional optimization resulting in 10-20% efficiency gains, e.g. Collection calls made per agent, Orders processed per agent.

### Enterprise-wide view of the process: effectiveness of end-to-end process

<table>
<thead>
<tr>
<th>Input</th>
<th>Customer Set Up</th>
<th>Credit Risk</th>
<th>Deductions Management</th>
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</tr>
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End-to-end process optimization resulting in 2-5 times higher impact on outcomes, e.g. Revenue dilution, Improved days sales outstanding (DSO) and cash flow.

### Managing change and risk

Technology isn’t the only impediment for organizations to be adaptive. An organization’s measure of success on being adaptive will depend significantly on how top leadership enable and facilitate organization agility. It is important for leaders to build employee resilience to deal with change and uncertainty and ensure that employees can work with ambiguity. Even the communication strategy to manage change can be a powerful tool in the adaptive drive.

Encouraging risk-taking, the acceptance of failure and recognizing and rewarding innovative breakthroughs, are critical for ensuring a culture of continuous innovation that enables adaptation. Management should accept and adopt the 80/20 rule and recognize that there is also a strong element of risk that comes with speed. So organizations must factor in a ‘beta’ test phase and improvements and upgrades. Adapting is a continuous process.

An organization’s risk management ability also needs to evolve as they balance internal change and “non-negotiable” demands from the business. For instance, the impact of new regulations such as Dodd-Frank on banking operations drive the need for industrial-grade processes that keep cost structures in check and still enable compliance. These are however not just Financial Services issues – large manufacturing organizations have been fined heavily because of inappropriate transactions with clients and suppliers, and the fact that they didn’t have exhaustive and granular transaction controls.

Organizations that have the ability to transform are ones that have embraced change management, through good governance and communications strategies. Building a culture of change accounts for the small things as well as the large – for instance an individual’s ability to adapt through cross-skilling and facilitation of re-deployment, become central in achieving success at scale and within cost.

### Conclusion

Enterprises and operations need to keep pace with the changed economic and political landscape. Building an adaptive organization goes much deeper than just being ‘change ready’ – adapting also tests organizational elasticity (or anti-fragility as defined by Nassim Taleb) across processes and functions.

Which is why adapting in uncertain times necessitates re-thinking traditional practices. The critical factors that come into focus in these circumstances relate to an organization’s ability to:

- harness a distributed and flexible global workforce
- decode data which in turn enables speedy execution
- maintain a lean cost and asset base
- deploy flexible technology
- work with innovative yet robust operational practices

Eventually mature, flexible and lean global process operations are critical to making adaptive a reality, and not just a strategy. The old ways of running operations may have already been stretched to the limit, but fragmentation of the front lines, regulatory demands and volatility in the market continue. And because success is more likely to come to those that embrace more scientific, industrial-strength business process design and management.
About Genpact

Genpact Limited (NYSE: G), a global leader in business process management and technology services, leverages the power of smarter processes, smarter analytics and smarter technology to help its clients drive intelligence across the enterprise. Genpact’s Smart Enterprise Processes (SEPSM) framework, its unique science of process combined with deep domain expertise in multiple industry verticals, leads to superior business outcomes. Genpact’s Smart Decision Services deliver valuable business insights to its clients through targeted analytics, reengineering expertise, and advanced risk management. Making technology more intelligent by embedding it with process and data insights, Genpact also offers a wide variety of technology solutions for better business outcomes.

For more information, visit www.genpact.com. Follow Genpact on Twitter, Facebook and LinkedIn.

About the Author

Arvinder “Monty” is a senior vice president and business leader, responsible for capital markets and IT services at Genpact. He joined Genpact in June 2005 as the senior vice president for Six Sigma solutions, transitions and re-engineering, and helped transform processes for Fortune 500 clients, by effectively utilizing Lean, Six Sigma, transition and solution resources.

Prior to joining Genpact, Monty was senior vice president, Six Sigma and Chief Quality Officer for GE Vendor Financial Services and also held various leadership roles with GE Capital India businesses.

Monty has more than 20 years of experience in the area of driving process improvement. He holds a bachelor’s degree of commerce from the University of Delhi and an MBA in finance and marketing from Xavier Labor Relations Institute (XLRI), Jamshedpur, India.

You can contact Monty at arvinder.singh@genpact.com

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