Research findings indicate that harnessing the full power of digital technologies requires a reimagining of operations through a holistic architecture that marries technology, process re-design, and advanced organizational structures catering to process specific differences.
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Introduction

Behind the biggest success stories of digitally enabled businesses – from Amazon to Uber to GE’s Industrial Internet – there is another story: business process operations agilely engineered to learn and scale in an unprecedented way. Yet the story most often told is oriented toward the front-end customer interface. Our analysis shows that middle and back offices are equally important in securing successful customer journeys and extracting value from markets at scale. What is more, insufficient emphasis on operating models – on Intelligent Operations – likely holds back some of the revolutionary power of digital technologies, especially in companies where legacy systems and processes constrain the creation of new, compelling business models. In a separate research [www.genpact.com/leandigital] we estimate that almost $400 billion, out of the roughly $600 billion representing digital budgets, will be spent on efforts that ultimately return insufficient impact. One key issue is the widespread inability to design and execute transformation programs that consistently align interventions with business outcomes. The consequence is significant extra effort, overly complex and vast scope of work, frequent delays, and insufficient ROI. Only by knowing where to focus digital efforts can enterprises maximize client value while minimizing waste.

This requires practical solutions that use lean management principles along with the power of advanced digital technologies, and a discovery process that involves design thinking. The combination helps prevent the digitization of broken processes by restricting interventions to the most significant sources of impact, and thereby avoids the bias towards small, tactical improvements that offer only incremental benefits.

This analysis of data provides an unprecedented view of “what” (functional areas and related processes) to focus on “how” (technology, process, organization) to implement it. The research it is derived from, which was conducted by an independent research firm commissioned by Genpact, examined the potential of advanced operating models—including radically improved uses of technology—to address strategic enterprise challenges across a defined set of industries: manufacturing, high tech, healthcare, life sciences, consumer goods, and banking and financial services. As part of this research, interviews were conducted with almost 1,000 senior executives in North America and Europe. While individual responses may not reflect the strategic direction of the C-suite as a whole, it is obviously important to understand the perspectives of these executives, many of whom effectively “run” their companies, and to listen to the ways in which they articulate strategy in terms of operational execution.

While digital technology will profoundly change how businesses operate in the future, our research indicates that key enterprise priorities at every step in that evolution will continue to be very much
focused on today—e.g., managing risk, ensuring compliance, and optimizing cost structure—at the same time that enterprises prepare for future uncertainty by ensuring revenue growth, customer satisfaction, innovation, and agility.

The analysis provides insights into the functional areas best placed to address those priorities, and into the material impact of different operating models (radically improved use of technology, process re-design or advanced organizational structures like business process outsourcing and shared services) on those functional areas.

The research makes clear that the indiscriminate application of new technology is not the answer to most important enterprise challenges today. Rather, it is enterprises’ ability to reimagine how processes are run, at scale.

A holistic architecture that harnesses technology, process re-design, and advanced organizational structures, such as outsourcing and shared services and caters to process-specific differences, will ultimately determine whether or not new technology enables them to achieve strategic enterprise goals.

**When the focus is today: Managing risk, ensuring compliance, and cutting costs**

Globally, executives consider risk and compliance as a top enterprise challenge (see figure 1), but differences exist between industries. Executives in banking, insurance, and capital markets, for instance, consider risk and compliance as particularly critical, whereas their counterparts in consumer goods, high tech, and manufacturing seem less concerned.

**Large % of respondents across functions state that the risk and compliance challenges are among the “top 3” for their company**

![Graph showing risk and compliance impact across functions](image-url)
Identifying and focusing on functional areas that disproportionately impact these challenges can improve the odds of success in addressing these challenges. The research reveals that only a few functional areas—such as know-your-customer (KYC), anti-money laundering (AML), and risk management in financial services, and procurement MDM, supplier risk, and performance management in other industries—are considered suitable to address challenges related to compliance and risk.

Another research insight is caution about technology-centered excesses. Many respondents did not rate technology, but instead cited advanced organizational structures as the key material lever for improving critical functional areas, such as supplier risk management and life sciences’ medical and regulatory affairs—even though key financial services’ areas had wide technology applicability (see figure 2).

### Impact of operating model initiatives on functional areas considered most important for the risk and compliance challenges

<table>
<thead>
<tr>
<th>Top 3 functional areas by industry</th>
<th>Risk and compliance impact index*</th>
<th>Radically improved use of the technology</th>
<th>Business process re-engineering</th>
<th>Advanced organizational structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-money laundering</td>
<td>82</td>
<td>40</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>Risk management</td>
<td>72</td>
<td>51</td>
<td>46</td>
<td>34</td>
</tr>
<tr>
<td>Know your customer (KYC)</td>
<td>72</td>
<td>45</td>
<td>41</td>
<td>38</td>
</tr>
<tr>
<td>Supplier risk</td>
<td>87</td>
<td>28</td>
<td>46</td>
<td>48</td>
</tr>
<tr>
<td>Procurement MDM</td>
<td>82</td>
<td>57</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>Medical and regulatory affairs</td>
<td>69</td>
<td>28</td>
<td>43</td>
<td>60</td>
</tr>
<tr>
<td>Supplier risk</td>
<td>75</td>
<td>28</td>
<td>46</td>
<td>48</td>
</tr>
<tr>
<td>Procurement MDM</td>
<td>60</td>
<td>57</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>Marketing MDM</td>
<td>54</td>
<td>45</td>
<td>41</td>
<td>60</td>
</tr>
</tbody>
</table>

* Risk and compliance impact index combining stated importance of risk and compliance challenges and stated ability of the functional area to address them

* Figure 2
Cost came up again and again as an important and immediate challenge for enterprises, according to executives across functions (see figure 3).

Procurement executives, notably, reported cost as a greater challenge than other functions.

Understandably, sourcing, manufacturing, and supply chain areas were regarded as having the greatest impact on cost, while insurance property and casualty (P&C) claims were deemed by a majority of financial services respondents to have the highest impact on cost.

Procurement executives, notably, reported cost as a greater challenge than other functions.

Large % of respondents from various functions state that the cost challenge is among the “top 3” for their company

Procurement executives, in particular see cost as a key challenge for banking, insurance and capital markets

Cost reduction considered important in life sciences and healthcare across functions

Consumer goods, manufacturing and high tech also worried by the cost challenge

Figure 3
Many respondents considered technology as a material lever to improving key functional areas—but advanced organizational structures have wider applicability in most cases (see figure 4).

Clearly, an effective solution lies in reimagining how functions are run using a holistic architecture that harnesses technology, process re-design, and advanced organizational structures, but caters to process-specific differences.

Preparing for tomorrow: Customer satisfaction, growth, agility, and innovation

Driving innovation and customer centricity while managing an uncertain environment with agility are top of the mind for CEOs. However, the leaders who actually manage day-to-day functions of enterprises revealed in their responses that they do not necessarily share the same view or agenda as the CEO.

Impact of operating model initiatives on functional areas considered most important for cost challenge

<table>
<thead>
<tr>
<th>Top 3 functional areas by industry</th>
<th>Cost Impact Index*</th>
<th>Radically improved use of the technology</th>
<th>Business process re-engineering</th>
<th>Advanced organizational structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>P&amp;C personal claims</td>
<td>32</td>
<td>48</td>
<td>46</td>
<td>60</td>
</tr>
<tr>
<td>P&amp;C commercial claims</td>
<td>32</td>
<td>56</td>
<td>54</td>
<td>69</td>
</tr>
<tr>
<td>Personal underwriting</td>
<td>30</td>
<td>58</td>
<td>54</td>
<td>50</td>
</tr>
<tr>
<td>Manufacturing and supply chain</td>
<td>40</td>
<td>49</td>
<td>49</td>
<td>39</td>
</tr>
<tr>
<td>Business intelligence and analytics</td>
<td>35</td>
<td>51</td>
<td>49</td>
<td>41</td>
</tr>
<tr>
<td>Claims processing and adjudication</td>
<td>33</td>
<td>39</td>
<td>46</td>
<td>44</td>
</tr>
<tr>
<td>Sourcing management</td>
<td>43</td>
<td>34</td>
<td>38</td>
<td>53</td>
</tr>
<tr>
<td>Procurement MDM</td>
<td>31</td>
<td>57</td>
<td>40</td>
<td>46</td>
</tr>
<tr>
<td>Transactional procurement</td>
<td>26</td>
<td>41</td>
<td>47</td>
<td>69</td>
</tr>
</tbody>
</table>

* Cost impact index combining stated importance of cost challenge and stated ability of the functional area to address them

Figure 4
While a large percentage of respondents considered growth and customer satisfaction as top enterprise challenges, industry-by-industry analysis and comparison reveals some interesting insights (see figure 5).

Significant differences between executives’ ratings of growth compared with customer satisfaction indicate that many executives in charge of day-to-day operations either do not see the interrelation between these two variables or do not have reliable measures of customer satisfaction. Most banking, capital markets, and insurance executives ranked customer satisfaction as a top enterprise challenge, but not growth. On the other end, growth was considered a critical challenge by life sciences and healthcare executives; customer satisfaction, not so much. This likely reflects the limited evolution of patient centricity within these organizations. Consumer goods, high tech, and manufacturing, on the other hand, acknowledge the salience of both customer satisfaction and growth uniformly across functions, possibly due to their head start in adopting robust analytical processes that leverage customer insights to fuel growth.

**Figure 5**

Sizeable % of respondents from most functions state that the challenges are among the “top 3” for their company.

- Customer satisfaction (though not growth) a key concern for banking, insurance and capital markets
- Growth a critical challenge in life sciences and healthcare for finance and operations executives
- Consumer goods, manufacturing and high tech most impacted

---

**Figure 5**
Only a few functions were cited as capable of addressing both growth and customer satisfaction challenges (see figure 6).

Commercial strategy in life sciences; multi-channel marketing and customer engagement in consumer goods, high tech, and manufacturing; and P&C agency support in banking, insurance and capital markets were cited as impactful for both growth and customer satisfaction, and are therefore strong candidates for initiatives addressing these challenges. Interestingly, data-rich compliance and record to report functions weren’t widely considered useful for driving growth and customer satisfaction, indicating that most organizations are not fully leveraging investments in these areas, possibly due to an inability to convert data to insight at scale.

Interestingly, data rich compliance and record to report functions aren’t considered useful for driving growth and customer satisfaction.

Commercial strategy, multi-channel marketing and customer engagement, and property and casualty (P&C) agency support have the most impact

![Diagram showing impact of functional areas on customer satisfaction challenge](image-url)
While the applicability of advanced organizational structures was widely acknowledged, there were significant differences in the perceived ability of technology and process redesign to materially impact functional areas that address both these challenges (see figure 7).

Advanced organizational structures were also viewed as materially impacting data-rich marketing areas—even more so than technology—indicating the limitations of technology alone to perform Data-to-Insight-to-Action processes at scale.

**Impact of operating model initiatives on functional areas considered most important for the growth and customer satisfaction challenges**

<table>
<thead>
<tr>
<th>Top 3 functional areas by industry</th>
<th>Growth and customer satisfaction impact index*</th>
<th>Radically improved use of the technology</th>
<th>Business process re-engineering</th>
<th>Advanced organizational structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>P&amp;C agency support</td>
<td>64</td>
<td>60</td>
<td>58</td>
<td>50</td>
</tr>
<tr>
<td>P&amp;C commercial claims</td>
<td>57</td>
<td>56</td>
<td>54</td>
<td>69</td>
</tr>
<tr>
<td>P&amp;C commercial underwriting</td>
<td>56</td>
<td>63</td>
<td>58</td>
<td>46</td>
</tr>
<tr>
<td>Commercial strategy</td>
<td>65</td>
<td>25</td>
<td>26</td>
<td>45</td>
</tr>
<tr>
<td>CRM and sales support</td>
<td>63</td>
<td>49</td>
<td>32</td>
<td>57</td>
</tr>
<tr>
<td>Multi-channel marketing</td>
<td>61</td>
<td>48</td>
<td>23</td>
<td>58</td>
</tr>
<tr>
<td>Multi-channel marketing</td>
<td>65</td>
<td>34</td>
<td>45</td>
<td>58</td>
</tr>
<tr>
<td>Marketing analytics</td>
<td>56</td>
<td>56</td>
<td>27</td>
<td>60</td>
</tr>
<tr>
<td>Marketing automation</td>
<td>52</td>
<td>47</td>
<td>45</td>
<td>56</td>
</tr>
</tbody>
</table>

* Growth and customer satisfaction impact index combining stated importance of growth and customer satisfaction challenges and stated ability of the functional area to address them

Figure 7
Many executives in charge of daily running of enterprises, it seems, don’t emphasize agility and innovation as pressing enterprise challenges, albeit with some industry variation—executives from consumer goods, high tech, and manufacturing, for instance, consider innovation important; on the other hand, many executives in the financial sector apparently consider neither innovation nor agility to be important enterprise challenges (see figure 8).

Executives from consumer goods, high tech, and manufacturing, consider innovation important.

Surprisingly small % of respondents in financial services state that the challenges are among the “top 3”

Innovation slightly more important for life sciences and healthcare

Consumer goods, manufacturing and high tech impacted more

Figure 8
Life sciences research, pre-clinical and clinical development have the most impact, possibly neglecting other promising areas

As a result, only a handful of functional areas—largely from life sciences’ R&D function—are cited by executives as having material impact on both innovation and agility challenges (see figure 9).

**Conclusion: Towards a digital future powered by advanced operating models**

In our experience, reimagining enterprise processes and harnessing new advanced technologies and analytics with appropriate organizational structures can effectively operationalize a CEO’s agenda. However, it is imperative that, in the euphoria of digital momentum, enterprise don’t digitize the wrong processes, shape their processes into a recursive action-data-insight-action arc, and build-to-adapt without constraining themselves unduly—and therefore waste billions of dollars of investment and opportunity cost. Executed well, digital transformation bring to life Intelligent OperationsSM that sense, act, and learn from their actions to deliver enterprise-wide impact. A practical implementation approach should consider agile technologies like Systems of Engagement™, which extend legacy systems of record, along with process-aware data management and analytics applications, and productively harness these through advanced organizational structures.

By using these practices enterprises can generate material impact with the latest technology faster, while avoiding the mistakes of previous IT waves. Digital architecture such as this results in a more rapidly attainable, yet scalable and cost-effective, business platform, built to adapt.
Methodology

Genpact commissioned a research project conducted by an independent research firm. The goal was to assess the potential to address strategic enterprise challenges through advanced operating models across a defined spectrum of industry sectors (banking and financial services, manufacturing, high tech, healthcare, life sciences and consumer goods).

The findings presented are based on the response of executives selected, based on their ability to materially influence functional decisions, of which over 150 were from finance, about 130 from marketing, about 120 from procurement, about 140 from risk and over 350 from operations. Respondents were asked if operating model initiatives such as radically improved use of technology can materially impact an enterprise function.

We analyzed the data to identify patterns of applicability of operating model initiatives on key enterprise processes across industries. To do so, we first determined which enterprise challenges were most pressing for the surveyed organizations, by industry and business functions.

We then analyzed which enterprise processes and functional areas helped the most in addressing those challenges.

An impact index for a selected set of challenges was computed for each functional area by taking into account the functional area's ability to address those challenges as well as the importance of those challenges for the enterprise.

For the most impactful functional areas of operations, respondents rated the ability of operating model initiatives, such as radically improved use of technology, process re-design, and advanced organizational structures, such as business process outsourcing and shared services, to materially impact them.

About Genpact

Genpact (NYSE: G) stands for “generating business impact.” We architect the Lean DigitalTM enterprise through a unique approach based on our patented Smart Enterprise Processes (SEP®) framework that reimagines our clients’ middle and back offices to generate growth, cost efficiency, and business agility. Our hundreds of long-term clients include more than one-fourth of the Fortune Global 500. We have grown to over 70,000 people in 25 countries, with key management and a corporate office in New York City. We believe we are able to generate impact quickly and power Intelligent Operations™ for our clients because of our business domain expertise and experience running complex operations, driving our unbiased focus on what works and making technology-enabled transformation sustainable. Behind our passion for technology, process, and operational excellence is the heritage of a former General Electric division that has served GE businesses since 1998.

For additional information, contact technology@genpact.com and visit, www.genpact.com/leandigital

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