

# INNOVATION IN OPERATIONS: MAKING YOUR FUNCTION FUTURE RELEVANT

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Businesses today are caught in a relentless pursuit of cost elimination and efficiency to find that next level of edge over their competitors. By taking a broader view of their entire global operations, they can find new ways of being more productive and even source additional avenues for growth.

Operational innovation goes beyond simple improvements to a business and instead offers real transformational change. In this article, I articulate some key aspects on how organizations can make this happen.

So why do businesses need innovation in operations? I believe it gives companies an opportunity to penetrate markets faster and provide a better connection to developing markets, which can lead to bigger opportunities, especially in rich countries. It also helps develop original concepts while giving the innovator a proactive, more confident attitude about taking risks and seizing opportunities. All in all, when a company has a culture that is receptive to innovation, it is well positioned to succeed.

In financial services, the appetite to move away from captive-only support models is helping many firms find new levels of cost-elimination, but also new flexible models for improving the delivery of their current services. Banking and insurance services aren't changing that much, it is how effectively they are delivered to market that is providing the competitive edge.

Innovation is by nature disruptive, so it is important for businesses to focus their efforts on innovating in areas which will benefit the organization the most, such as a firm's strategic goals.

When embarking on any operation innovation journey, it is critical to keep in mind that benchmarking within a single industry will limit the chances of a breakthrough, as considering a range of industries would provide a multidimensional perspective and thereby increase opportunity.

## HOW ORGANIZATIONS TACKLE INNOVATION TODAY

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- **Proactive** innovation strategies need strong research and access knowledge from a broad range of sources. Radical breakthroughs that change the nature of products and services lead to improved performance of products and services.
- **Active** innovation strategies involve defending existing technologies and markets, while being prepared to respond quickly to new offerings. Companies using this approach have deep industry knowledge and medium-to-low risk exposure. These companies use mainly incremental innovation with in-house applied research and development.
- **Reactive** innovation strategies are used by companies that are 'followers' rather than 'trendsetters.' They still have a focus on

operations but take a wait-and-see approach and look for low-risk opportunities.

- **Passive** innovation strategies wait until their customers demand a change in their products or services.

The choice of one of the above strategies tends to be driven by time-in-hand, risk appetite or overall strategy in play at an organization. Typically, operations are not at the forefront of leaderships' minds, although their involvement is critical for success. Operations is core to any organization's existence, so this move needs to be well-planned, collective and in partnership with an expert.

# TO DRIVE OPERATIONS IN THE RIGHT DIRECTION, A BUSINESS SHOULD BE ABLE TO ANSWER THE FOLLOWING QUESTIONS:

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- What will the result or outcome of the process be?
- Why are we doing it? What is needed?
- Where is this being performed?
- Who will perform it – and when?
- What is the better or best way to do it?
- Can we implement a certain change to optimize this?
- Will the implemented new process/change be sustainable?

## ROLES IN INNOVATION

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To cover the seven critical functions of operational innovation, firms need to hire these roles:

- A chief information officer (CIO), if they haven't got one already
- Champions – a project management officer (PMO) who will overall mentor and manage
- A sponsor – a project owner or head of operations who will sponsor and sign-off
- Ideas generators – a project leader and well-skilled project team that includes business analysts
- A gate keeper or change manager to monitor timelines and course correction
- Trainers to provide skills gaps and refresher courses
- A quality controller to keep tabs on output quality as planned and expected.

The chief information officer (CIO) is often the nucleus of a firm, collaborating with business executives to develop technology strategies, whilst leading teams and implementing streamlined technical operations. Their role combines a mix of analytical foresight and management expertise.

As industry innovation continues to evolve, traditional IT infrastructure will be replaced with newer, more powerful technologies such as the cloud, AI, analytics and automation. This will lead to CIOs managing fewer people. Consequently, they will be the main thought leaders of an organization, moving away from an advisory role to one that focuses solely on driving innovation. They will be involved in key business decisions, from marketing and product design, through to logistics and operations – with technology at the centre. By harnessing the full potential of emerging technology, CIOs can create strategic initiatives that will elevate businesses to the next level.



# MEASURING INNOVATION

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Quantifying an 'innovation target for growth,' and making it an explicit part of future strategic plans, helps solidify the importance of and accountability for innovation. Measuring innovation is key to developing systems for measuring the factors that influence innovation. By monitoring the relationship between innovation, economic growth and competitiveness, organizations can understand the impact on their firm and track the success of innovation.

In layman's terms, typically, innovation effectiveness is measured by:

- Analyzing the impacted process by increasing the amount of data obtained
- Measuring the evolution and impact of innovation policies
- Benchmarking, to identify process strengths and weaknesses and good practices from other systems
- Organizations should create a scoreboard through weighted average of the above to support decision-making regarding innovation, impact of implemented innovation.

## BENEFITS OF OPERATIONS INNOVATION

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### Strategic benefits:

- Customer retention
- Market share
- Ability to draft and execute strategic including tough decisions
- Ability to enter new markets
- Ability to enter new revenue streams

### Marketplace benefits:

- Lower prices-product/service
- Differentiated offerings
- Enhanced customer experience, relationships and overall satisfaction
- Increased agility

### Operational benefits:

- Lower direct cost
- Better use of available resources/assets
- Cycle time
- Accuracy
- Personalization
- Added values
- Simplified and standardized processes

## WHAT NEXT?

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To succeed in today's markets, there is a definite need for adoption of unconventional and disruptive strategies among corporates. Organizations need to foster innovation within, implement new technologies, need to invest in talent, empower, educate employees, encourage employees to proactively think on these lines, reward every idea, encourage risk taking, show openly that leadership is investing on innovation, be sure on the motivating values and compelling purpose, be open to experimentation, share and research the forces shaping the future by examining internal and external cues and involving experts.

Whenever companies fail to evolve, they become history. In the digital age, the pace of change has gone into hyper-speed, so companies must get these strategic, creative, executional and organizational factors right to innovate successfully. Innovation is a

complex, company-wide endeavour, it requires a set of cross-cutting practices and processes to structure, organize, and encourage it.

Operations face extraordinary new challenges-cum-opportunities to be at the forefront of global business transformation. Digital operations are revolutionizing the way companies develop, make, and distribute their products and services. But the confluence of global trends, changing industry ecosystems, and ground-breaking digital technologies has also left growth-seeking companies awash in complexity, often without a way to bring it to order. The right set of differentiated operations innovation can help turn complexity into competitive advantage. After all, operations is at the very heart of any organization and innovation there can strengthen it from within, thereby positively impacting across all functions. Happy innovating!

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