Information Technology as a Value Driver

The consultants who belong to our Information Technology & Operations Practice bring to the job a combination of comprehensive technology expertise and a deep understanding of business designs and processes. We tap this expertise to support companies in all industries. As a result of our support, companies are able to optimize their IT applications along the value chain and put new business designs in place with the help of IT. Drawing on their long years of experience in international projects, our experts work with our clients to turn the presumed cost villain known as IT into a key value driver. Critical elements of this work are identifying, selecting and employing new technologies in products and services to enhance our clients’ competitiveness. Oliver Wyman’s approach of understanding and organizing IT as a value driver systematically aligns IT with the company’s strategy to add value, turning IT into a driving force in efficient and future-oriented projects.
Dear Readers,

Innovation and productivity gains are the essence of a company’s competitiveness and profitability. In this process, information technology plays the critical lead role of ‘enabler’. Without sophisticated IT systems, it would be impossible to create value chains that extend around the world. High-end hardware, upgradable software and global networks have given rise to the evolution of entire industries, the digitalization of virtually every business process and the development of novel business designs. These strides have come at a price though as global spending on hardware, software and IT services has escalated.

These rising expenses have sent a shudder through companies. They realize that IT will be the key to unlocking their future flexibility, speed and customer focus. Frequently, however, they view IT as a menacing cost driver that often leads a life of its own as well. This is precisely where Oliver Wyman steps in. We view technology as the critical value driver at companies and place its benefit to operational business activities at the center of our work.

Our strategic approach covers every aspect of IT applications, broken down into the four focal points of enablement, execution, effectiveness and efficiency. Our No.1 priority in every project we carry out is to optimize our client’s competitiveness. In the process, we apply IT as a value driver. The hidden potential here is unearthed by the IT value analysis that we frequently conduct before initiating a project. Depending on a company’s starting point, productivity gains of up to 20 percent have been identified.

We have built a unique Oliver Wyman ‘DNA’ out of the diverse backgrounds of our people: We take a top management perspective on IT, we maintain a ‘technology neutral’ view by not linking ourselves commercially to any IT vendors, and we have a deep understanding of IT as a value driver. Most importantly, we get things done and are often asked by our clients to stay on board until an implementation has started creating measurable returns.

In this brochure, we use a number of case studies to demonstrate just how our teams have worked together with clients to mine their hidden potential and thus turn IT into a value driver.

Kai Bender
When new technologies are correctly applied, they become groundbreaking elements in companies’ efforts to increase value. Realizing this, Oliver Wyman always places its clients’ business designs at the heart of its considerations and systematically aligns IT accordingly. This creates a launching pad for new business ideas and their on-time introduction.

In the digital age, business and IT strategy are inseparable. Most production, logistics and administrative processes depend on cutting-edge information technology. But this is just the beginning: Innovative business ideas are generally based on the application of new technologies as well. The media industry perfectly illustrates the critical position that IT has assumed in its operating business. On behalf of Next Issue Media—a joint platform of five major U.S. publishing companies—Oliver Wyman conceived of a concept in which the traditional print-media business design was adapted to meet the habits of readers in the 21st century. Mobile end devices like smartphones and tablet PCs as well as the digitalization of the entire value chain have created a major headache for magazine publishers around the world as they wrestle with issues related to their business design and readership loyalty. In a six-month process, Oliver Wyman was able to sell the leading U.S. publishing companies on the idea of erecting a digital online platform where they could jointly present and market their content. The idea was initially met with skepticism. But Oliver Wyman was able to dispel these doubts by citing a representative survey that showed a surprisingly high level of willingness among respondents to pay for the intelligent linking of analog and digital content.

SUPPORT UNTIL MARKET LAUNCH
Oliver Wyman validated and integrated the necessary applications in a user-friendly architecture and devised a workflow system that facilitates the parallel preparation of online and offline content. During conversations with potential partners in the IT and telecommunications industry, the team gained far-reaching support. Encouraged by these comments, it then went to work on developing a marketing concept. After all, an enablement project carried out by Oliver Wyman is not finished until the target customers are able to successfully put the innovation to good use, in this case www.nextissuemedia.com, and the operator is generating income with it.
“Companies that examine IT issues right from the planning stage of new business projects through to implementation will be the only ones capable of generating the desired value gains.”

Just how well is your IT organized? During an IT Health Check, our experts will carefully examine all of your systems and determine whether your IT system is providing optimum support to the company’s strategy and whether outlays are going to the right places. The focus here is not on identifying cost-cutting potential. Rather, the main concern is improving the operating business through the effective use of IT.

**Our approach to quickly pinpointing value-enhancing potential**

- The enablement approach analyzes and optimizes business-side value creation through information technology in the company
- The IT Health Check addresses the value-enhancing potential in the organization, procedures, architecture, projects and resource assignment
- By optimally employing their IT systems, companies stay ahead of their competition

**IT Health Check**

**IT Strategy**
Repositioning of IT based on the company strategy

**IT Health Check**
Identification of improvement potential in IT, from demand to service

**IT PMI**
Development of an optimum IT organization for merged companies

**IT Transformation**
Support of change-management processes

**Enablement**
Implementing innovative technology projects can be richly rewarding for a company’s operating business. But such projects also come with high risks. Through close project monitoring and proper risk management, our experts have already turned a vast number of technology-based business concepts into operational reality, clearing the way for promising growth opportunities in the process.

Time pressure, complexity, the absence of internal experience—these are the typical issues encountered when new technologies are put in place. This was also the case when the experts of our Information Technology & Operations Practice assisted with the launch of a new European pay-TV platform. Their job: to put a brand-new TV concept on the air which was based on technologies that had never been tested by the company and to simultaneously attract and connect millions of viewers. The entire project had to be completed in just six months. In a close partnership with the client, the consulting team managed the entire project and created a comprehensive technical infrastructure for sales operations.

The team’s responsibilities ranged from implementing invoicing systems and setting up interfaces with retailers to coordinating logistics operations and call centers, which had to manage the huge wave of interest that arose just before broadcasting began. Thanks to the consultants’ deep experience, the channel started right on schedule and viewers were able to tune in on time, too.

**COMPREHENSIVE THINKING, ACTING**

A holistic approach forms the essence of execution projects in which IT is applied to new business designs as the pivotal competitive factor. As a rule, such projects cannot be brought to a successful conclusion by using conventional forms of program management. Rather, the critical success factors here are active cooperation, particularly concerning critical issues; transparent information on project progress; and intensive communication between suppliers, clients and the team. By keeping an eye on the overall strategy and closely managing the project, the players can prevent delays and cost explosions— and leverage the new technology to achieve the desired value gains.
“While companies may be confronted for the first time by a certain issue, we already know the answer, thanks to the experience we have gained in numerous other execution projects.”

**Project Plan**
- Preparation of a master plan and monitoring of implementation progress
- Continuous transparency of all milestones and dependencies

**Status Monitoring**
- Systematic, weekly reporting of all relevant work streams to ensure complete project transparency
- Active management of problems and risks

**Management Cockpit**
- Overview of all management-relevant information and key performance indicators in a management cockpit

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**Tech Launch**
Implementing innovative technology projects

**IT Project X-Ray**
Reviewing ongoing crisis projects and identifying key areas of action

**Project Recovery**
Restructuring crisis projects in consideration of time schedules

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**Three Management Tools for Achieving Targeted Implementation**

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**Execution**
Companies looking at defining their target IT architecture or even considering exchanging some of its core elements have to invest in defining what their target operating model (TOM) and business requirements will be for the years to come. Otherwise, large-scale investments may become obsolete or not meet business needs at the time of their implementation.

Large IT implementations are often jump-started by top management and set up as “pure IT projects” without adequate alignment with business stakeholders and without doing the proper “homework” on defining the project’s business goals. A Middle Eastern bank was contemplating upgrading its existing core banking system (CBS) or switching to a different vendor. Experience with the previous CBS implementation nurtured fears of not meeting business expectations despite a tremendous effort by IT to fulfill all defined requirements. To get it right the bank decided to enlist outside help to define a 10-year target operating model (TOM).

Our consulting team consisting of banking and IT & Operations experts conducted a 12-week project with an intense series of management interviews, workshops and iterative decision rounds. Based on the bank’s strategic objectives and an outside-in view from the consultants, a TOM was developed that included the bank’s guiding principles, roles, responsibilities and governance mechanisms between all entities, reporting lines, the level of centralization and sharing, service models of central units, the degree of harmonization of products and services across the global footprint, and the development of the business design for the bank’s retail and corporate business.

**BUSINESS REQUIREMENTS, VENDOR SELECTION AND IMPLEMENTATION SUPPORT**

Subsequently, the team translated the TOM into a comprehensive set of business requirements which the bank used as a crucial input in the vendor selection and throughout the CBS implementation. The consultant team stayed on board to support the roll-out and to keep all business stakeholders involved and aligned throughout the process.
“To optimize the efficiency of IT, the operating business must become a focal point of considerations.”

Oliver Wyman’s operating model transformation framework considers all relevant components for creating an efficient and scalable operating model.

### Operating Model Transformation Framework

#### Business Design
- **PRODUCT:** transition to architectures, to manage variation
- **CUSTOMERS:** align cost-to-serve with customer micro-segments
- **CHANNELS:** leverage the power of a multi-channel world – migrate “right” customers to “right” channels

#### Organization and Governance
- **ORGANIZATION STRUCTURE:** break down silos and share common processes
- **GOVERNANCE:** simplify governance model focused on execution and results
- **CONTINUOUS IMPROVEMENT:** re-build the organization’s DNA with continuous improvement as the protein layer

#### Operations and Process
- **DUPLICATION/FRAGMENTATION:** eliminate/rationalize duplicative and/or fragmented processes
- **REDESIGN WORK:** streamline, standardize, automate and re-think work-flow

#### Information Technology
- **SYSTEMS PROLIFERATION:** consolidate systems and eliminate legacy
- **IT ARCHITECTURE:** integrate applications and data with a single source of truth ethic
- **DATA GOVERNANCE:** improve quality of data and institutionalize the right governance and management of data

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#### Effectiveness

**Business Process Sourcing & Shoring**
Optimizing the outsourcing strategy including partner and location selection

**Value Mapping**
Aligning the IT budget to the contribution made to the operating business

**Strategic Application Mapping**
Boosting productivity by harmonizing applications

**Compliance Audit**
Aligning IT to meet compliance requirements

**IT Risk Management**
Assuring the availability of IT services in the company
EFFICIENCY
FARSIGHTED SOLUTIONS FOR INCREASED EFFICIENCY

The most important cost drivers in IT lie outside its own area of responsibility. For this reason, simple benchmarking approaches or cost-cutting programs fail to go far enough. Companies that raise fundamental questions about organizational structures and the current requirements being placed on IT will be the only ones that can optimize the efficiency of their operations – and lower costs.

In theory, it’s all very simple: Companies achieve maximum efficiency in IT if they focus on a single platform with one operating system and standard applications with the highest possible degree of virtualization. In the real world, though, companies do business in various markets, grow through acquisitions and use a variety of proprietary applications based on Windows, Solaris and Linux. To optimize the efficiency of IT in such an environment, the operating business must become the focal point of considerations. This is just what Oliver Wyman does.

MAJOR SAVINGS POTENTIAL BEYOND IT

Working with a professional services provider who has offices in around 100 countries, our team identified savings potential that reached into the high double-digit millions of dollars. In contrast to the findings of a previously released benchmark study, these savings could not just be tapped in the IT department. The real cost drivers were located in the interfaces with the operating business and its structures: Employees kept requesting new applications and asking for global services to be available 24/7 as well as a reliable, highly available connection to even small branch offices. In a dialog with top management, Oliver Wyman determined which structures and which services were really necessary for business operations.

The result: An optimized structure and lower costs through harmonizing applications, applying cloud solutions in CRM systems and making needs-based adjustments to customer service. Implementation was largely carried out in-house because Oliver Wyman does not use efficiency projects to lay the groundwork for a long-term service relationship. Rather, we put companies in a position which enables them to sustainably increase efficiency on their own.
“The efficiency of IT can be reasonably optimized only when questions are raised about the needs of the operating business and suggestions are made for this area.”

<table>
<thead>
<tr>
<th>1. Increased efficiency in the IT department</th>
<th>2. Increased efficiency by aligning interfaces with business</th>
<th>3. Increased efficiency by structurally aligning the business</th>
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<tr>
<td><strong>FOCAL POINTS:</strong> Traditional efficiency-boosting steps, including homogenization, consolidation and off-shoring as well as increased use of new technologies, including virtualization, terminal services and remote administration</td>
<td><strong>FOCAL POINTS:</strong> Adapting service quality and quantity to actual client needs (good-enough principle), by taking such steps as eliminating non-value-creating services or reducing service levels</td>
<td><strong>FOCAL POINTS:</strong> Reducing the complexity of the operating business, e.g., by critically reviewing and consolidating global locations or by standardizing business processes and the resulting IT application landscape</td>
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<td><strong>About 5 to 15 percent of total potential</strong></td>
<td><strong>About 15 to 35 percent of total potential</strong></td>
<td><strong>About 20 to 55 percent of total potential</strong></td>
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**IT Governance & Organization**
Introducing best-in-class IT processes and structures

**IT Rightsizing**
Adjusting IT resources to meet business needs

**IT Rightsourcing**
Optimizing the real net output ratio and selecting partners and locations

**IT Architecture**
Consolidation and harmonization of the IT architecture

**IT Infrastructure**
Consolidation, harmonization and outsourcing of the IT infrastructure
The international Information Technology & Operations Practice of Oliver Wyman combines comprehensive technology expertise with a deep understanding of business processes. As a result, it can apply IT to optimize the operating business of its clients and introduce new business designs. In performing their tailored projects, the experts can draw on extensive experience in all industries and at all levels of value chain. With their know-how, they ensure that the IT strategy is optimally incorporated into the client’s overall strategy. In the process, they make a crucial contribution to their clients’ sustainable, profitable growth. The practice is an integral part of Oliver Wyman’s global consulting expertise and covers all aspects of technology use as a strategic competitive factor. The spectrum ranges from project management for the introduction of new business concepts and the tapping of efficiency potentials to the improvement of IT effectiveness.

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