



KHAZANAH MEGATRENDS FORUM 2011

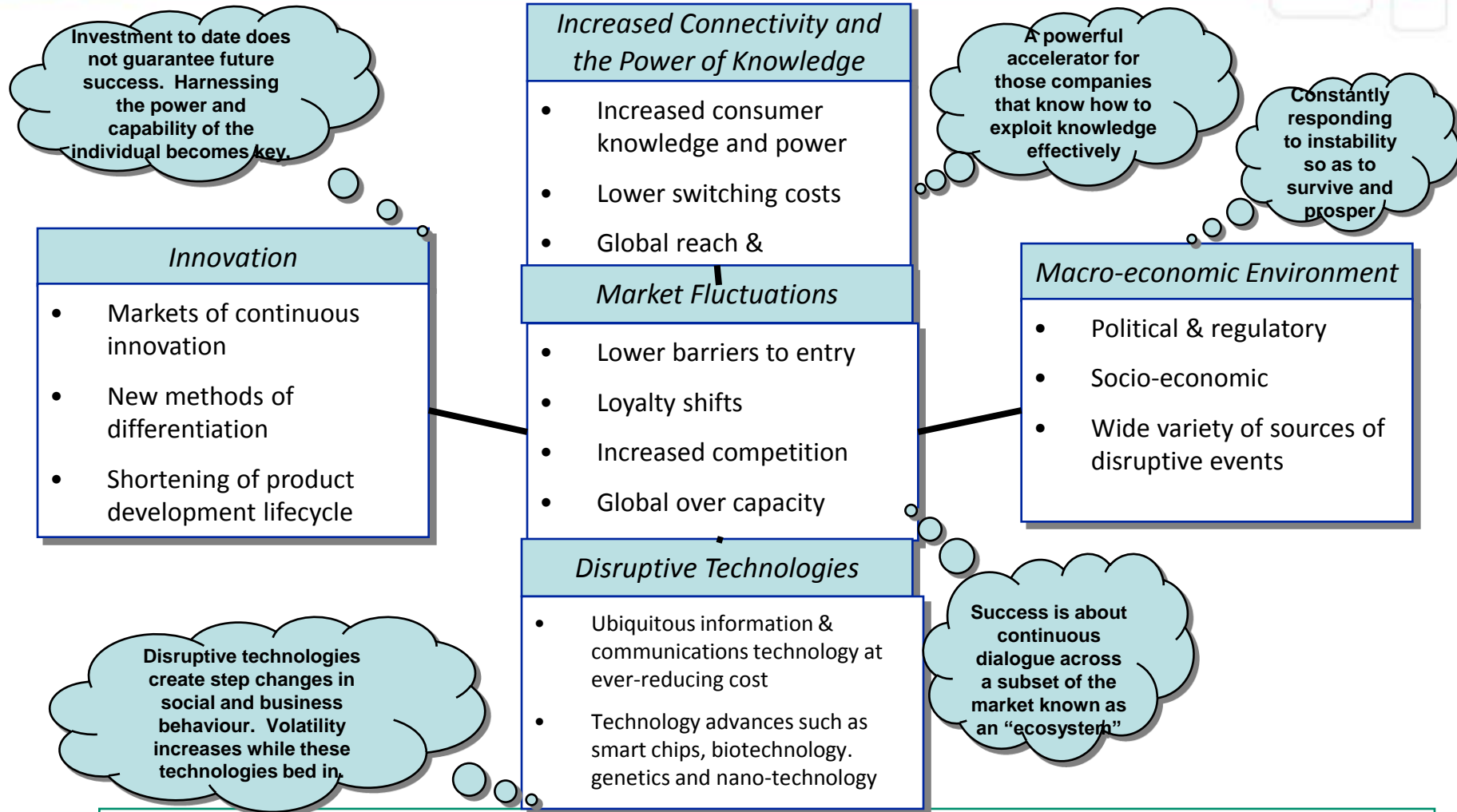
Session 3: Governance And Development The Challenge Of Interconnection?



KHAZANAH
NASIONAL

the **iA** group

Five Mega-Forces that drive economic volatility can be identified



Economic instability is now the norm—organisational leaders are in charge but not in control. Companies that embrace the new volatility will uncover new sources of economic profit by rapidly exploiting shifts in the market.

The uncertain economy and permanent volatility are now a fact of doing business

Market Context

- Market volatility is now a fact of doing business - its impact differs depending on the competitive positioning of an organisation, and the maturity of the industry in which it competes
- Change in regulatory policies are becoming more profound and more frequent

Winners in this challenging economy are embracing volatility - seeking ways to capitalise on new business opportunities

Customer Impacts

- Revenue streams less secure
- Changes in customer buying preferences more frequent and immediate (loyalty shifts)
- Customers more knowledgeable, empowered and increasingly mobile (the market of one)

Competitor Impacts

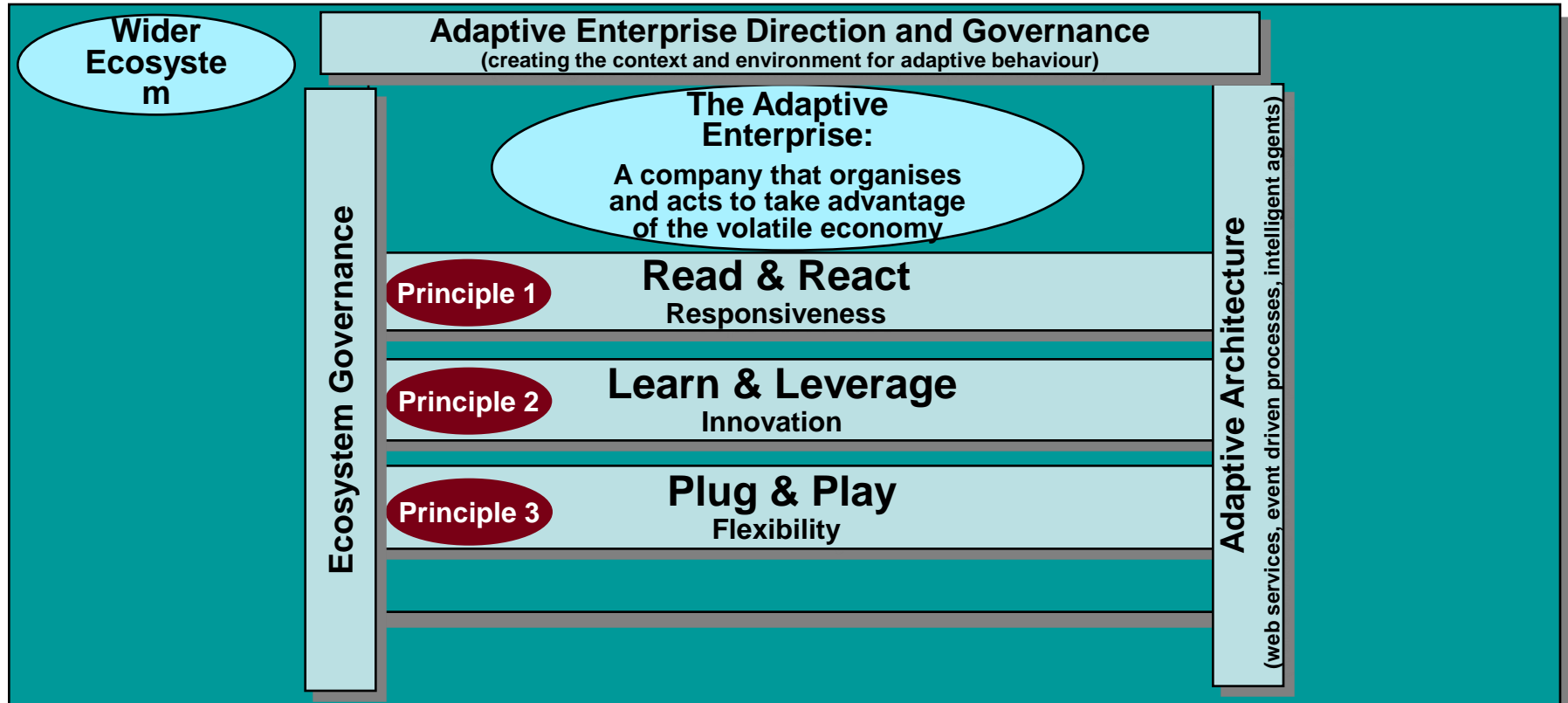
- Pressure on margins and market share from:
 - Lower cost business models utilising new technology (e.g. low cost airlines employing dynamic price calculation to balance yield)
 - Increased competition as geographical boundaries broken down by competition
 - Changes in regulatory regimes bringing previously unknown or non-existent companies to prominence

Environmental Impacts

- Widening economic boundaries driven by technology and lower cost foreign labour options (e.g. trend to offshore provision of services)
- Internal optimisation no longer a guarantee of competitiveness – supplier and partners contribute to business performance

To become Adaptive, organisations must be able to react to events through developing competencies according to three core principles

The Adaptive Enterprise Business Model



Read & React:

- Real-time visibility into the business, sensing minute by minute events
- Actions adjusted continually and automatically
- Fewer missed opportunities and faster reaction to disrupting events

Learn & Leverage:

- Accumulate and share experiences about volatility and key events
- Revise business model continually to maximise returns
- Continuous re-use, re-combination, replacement and experimentation

Plug & Play:

- Operational modularity that is re-configurable and scalable
- External capabilities leveraged to reduce capital employed and increase flexibility
- Components redeployed rapidly to address problems and opportunities

Developing specific adaptive capabilities that enable it to respond to volatility faster than its competitors

Detailed Adaptive Capabilities

Collaboration

- Works from outside in to create suitable processes that address external change (markets-in not functions-out)
- Competes not as a single business but as a web of co-operating businesses (ecosystem)
- Constantly takes account of the larger business ecosystem in which it operates
- Uses communications technology to interact with and capture intelligence from its ecosystem

Responsiveness

- Makes value capture and pricing strategies part of the basic decision about good and services
- Functional almost entirely in real time, accessible to suppliers and customers around the clock
- Able to self-adjust to market dynamics to profit first from new opportunities
- Implements flexible organisation and working patterns to adapt and adjust
- Monitors external conditions and sees reactivity as a competitive weapon (looks for the weak signals)
- Measure success around external measures of value (e.g. market share, customer loyalty)

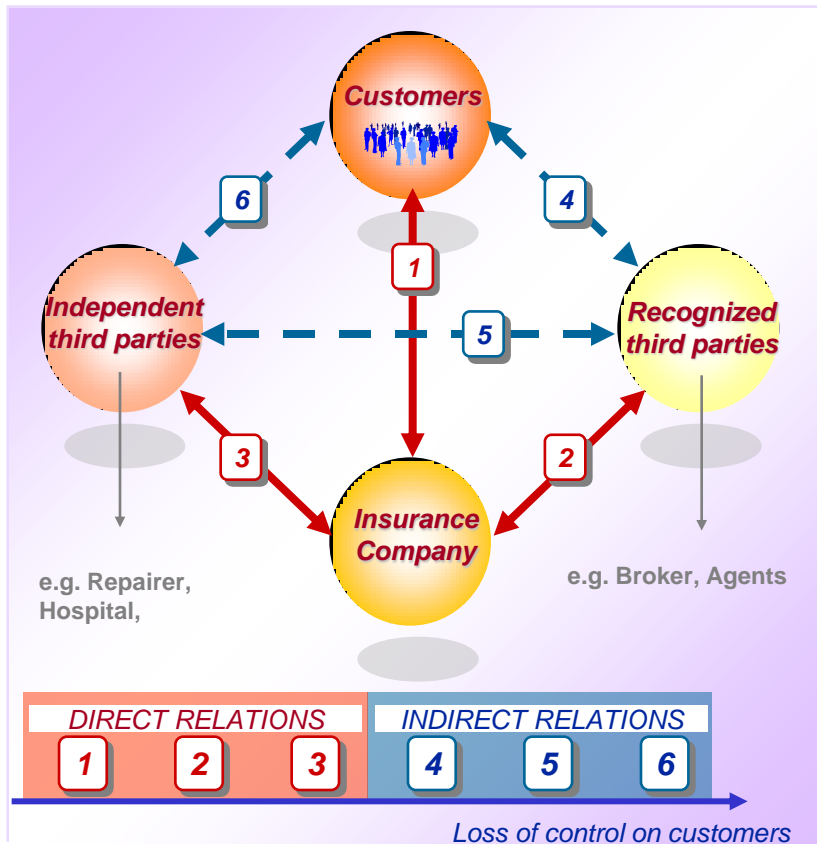
Innovation

- Seizes opportunity presented by new technology to create new business where none existed
- Aggressively applies knowledge, brand and people to new opportunities and new markets
- Adapts at speeds that have only recently become possible
- Develops a culture where innovation is encouraged and rewarded
- Co-evolves with markets for products, services and talent – innovating and adapting to external wants and needs
- Often has no close competitors – stakes out key relationships, technologies and operating standards first

Efficiency

- Optimises resource and capital deployment through scalable capacity and cost base
- Lower operating cost and increased flexibility realised from intelligent systems that automate decisions and processes

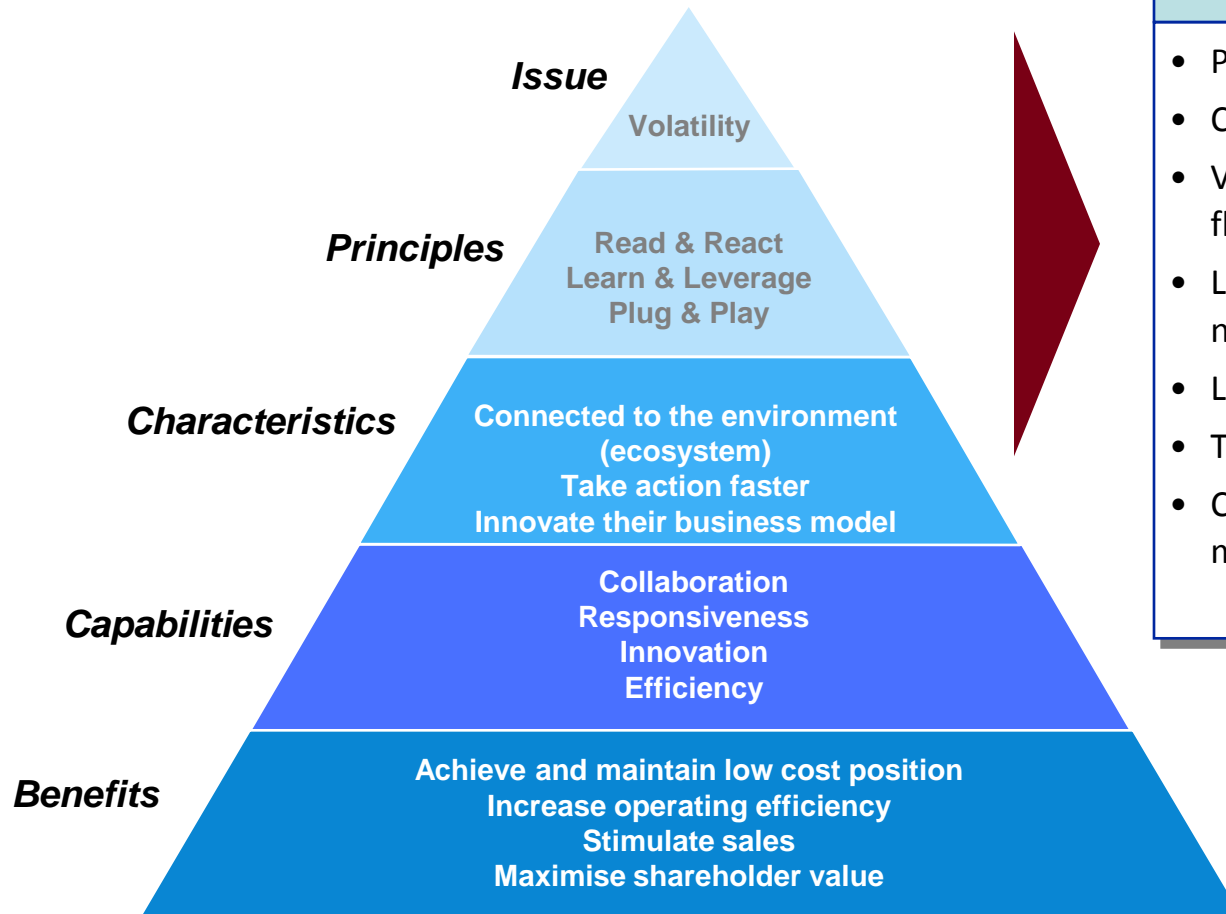
IAG distinguishes six types of relations, between different actors, that develop value inside the ecosystem



Features	Today's Critics / Opportunities	
	<ul style="list-style-type: none"> This direct relation is principally focused on customer requests 	<ul style="list-style-type: none"> Lacking of an active & structured process of the collection / analysis of the information on the behaviour of customers. Limited activities of segmentation / profiling
	<ul style="list-style-type: none"> Management of transactional processes 	<ul style="list-style-type: none"> The agency is seen as a distribution channel and not as a privileged partner with whom a common strategy and approach should be developed
	<ul style="list-style-type: none"> Relations with a lot of actors concerning information flows with little standardisation 	<ul style="list-style-type: none"> Lacking of coordination instruments of the activity Exchange of information based basically on paper
	<ul style="list-style-type: none"> Not homogenous management of the relation Limited use of instruments to analyse the customers 	<ul style="list-style-type: none"> Limited use of supporting instruments for marketing and sales Little exchange of information with the company to enhance the development of knowledge on a single customer
	<ul style="list-style-type: none"> Contemporary presence of many relations with many actors 	<ul style="list-style-type: none"> Lack of coordination by the Insurance Company to improve the efficiency of the processes
	<ul style="list-style-type: none"> This relation is not originated with the insurance company. This direct relation is focused on customer requests 	<ul style="list-style-type: none"> Lack of instruments to collect & analyse the information generated by customers that can be used for cross selling


An Adaptive Enterprise acquires, develops and utilises specific information and learning about events critical to its business

Adaptive Enterprise Business Architecture




Adaptive Enterprises

- Plan for multiple futures
- Create options
- View organisations in term of a set of flexible resources and assets
- Listen and respond to weak signals not just the strong ones
- Look for patterns
- Take calculated risk
- Capture value in short lifecycle markets



The journey to adaptivity involves developing adaptive capabilities within a realistic approach to business change



- All management teams have spent much of their time facilitating change. The difference with the situation today is more to do with the relentless speed and unpredictability of change. Evolution continues now as always - but *faster*.
- Success is building innovation and the ability to manage change as a business core competence
- Even in this context, however, some very basic facts of life have not altered. Companies still exist to fulfil the same basic roles as before.
- There is no real difference between this set of objectives as pursued by a traditional (non-adaptive) company and an adaptive enterprise. The essential differences lie in *speed*
- Competitive advantage belongs to companies that are able to innovate fast, get their products to market faster, target customer segments more precisely and identify short-term opportunities to maximise profit with unprecedented efficiency and flexibility
- In reality, the full benefits of speed can only be realised in an ecosystem context
- The adaptive enterprise is not really a new breed of company at all; it is a new business model.
- One key element in the approach to adaptive enterprise development is that ***An Adaptive Enterprise is still driven by current imperatives and short-term future priorities***
- Quick wins and strategic improvements can and must go together

In order to face today's reality, IAG presents the 'Enterprise of the Future'. Two main characteristics of the EoF are Collaboration and Adaptivity.

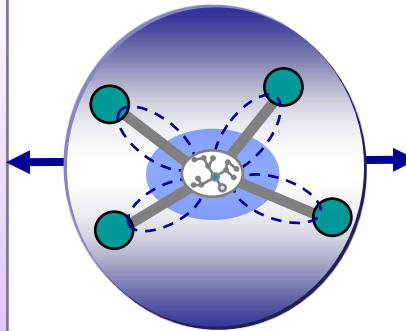
Collaboration

The *Bank/Insurance company of the Future* is characterised by an architecture which enables integration of all bank and insurance activities (Banc-assurance/Assurfinance group).

The concept enables also the full/complete integration of the company with all its internal and external partners:

- Intermediaries
- Third parties
- Suppliers
- Customers

Enterprise of the Future



Adaptivity

The *EoF* is able to adapt fast to an ever faster changing environment, not only in the field of ICT but also in the field of processes and organisation.

Current market trends and demands:

- Merger/demergers
- Collaboration with third parties
- Plug and play operating model
- Service centers
- Outsourcing non-core activities
- Globalization

The *EoF* is able to offer new and innovative products in a short timeframe by using multiple channels and media

Higher growth rates

- from evolution in concert with the marketplace via more sensing and response to shifting opportunities and threats

More efficient deployment of capital

- achieved through the use of modular assets, outsourcing of non-core capabilities, and flexible alliances for 'just-in-time capabilities'

Better customer knowledge

- will improve the service to the customer due to integration (better tailored to the customer's needs).

Lower operating costs

- realized from intelligent systems that automate many more decisions across the enterprise

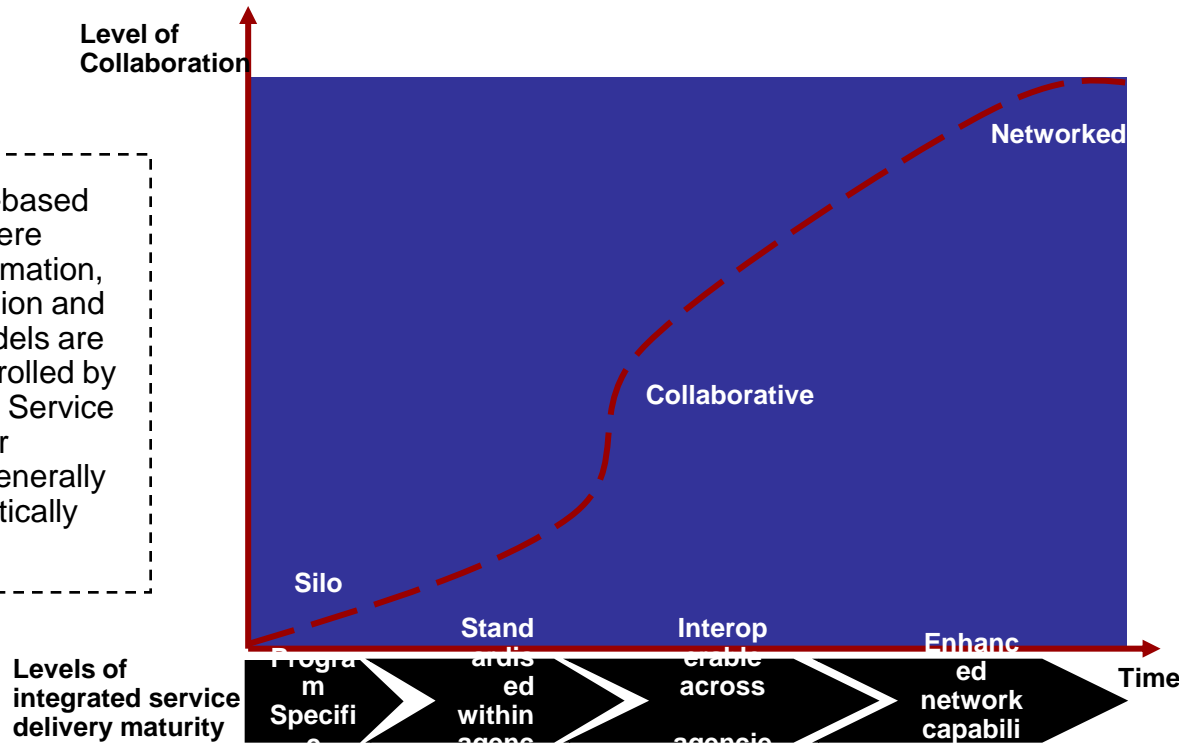
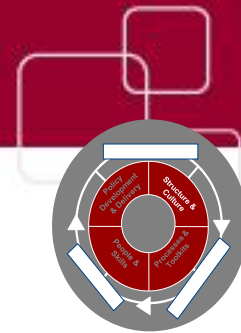
Plug and play operating model enabling flexibility

- resulting in a faster morphing of capabilities-to-needs at lower costs

Multiplicative power

- The positive dynamic, resulting from increased returns, enhances baseline performance

Specifically the Policy-driven engagement model is used and the level of its interaction with its agencies can be analysed over three stages of service delivery



STAGE 1

Represents silo-based approaches, where customers, information, access, distribution and governance models are owned and controlled by a single agency. Service improvements or collaborations generally arise opportunistically through agency initiatives.

STAGE 3

Reflects a service delivery network and a whole of government service delivery environment based on the premise of 'standardise' not 'centralise'. Culture change, involving innovative planning and a collaborative approach to the stewardship of information, infrastructure and business processes, leads to seamless multichannel, multi-agency customer-centric (networked) service delivery.

STAGE 2

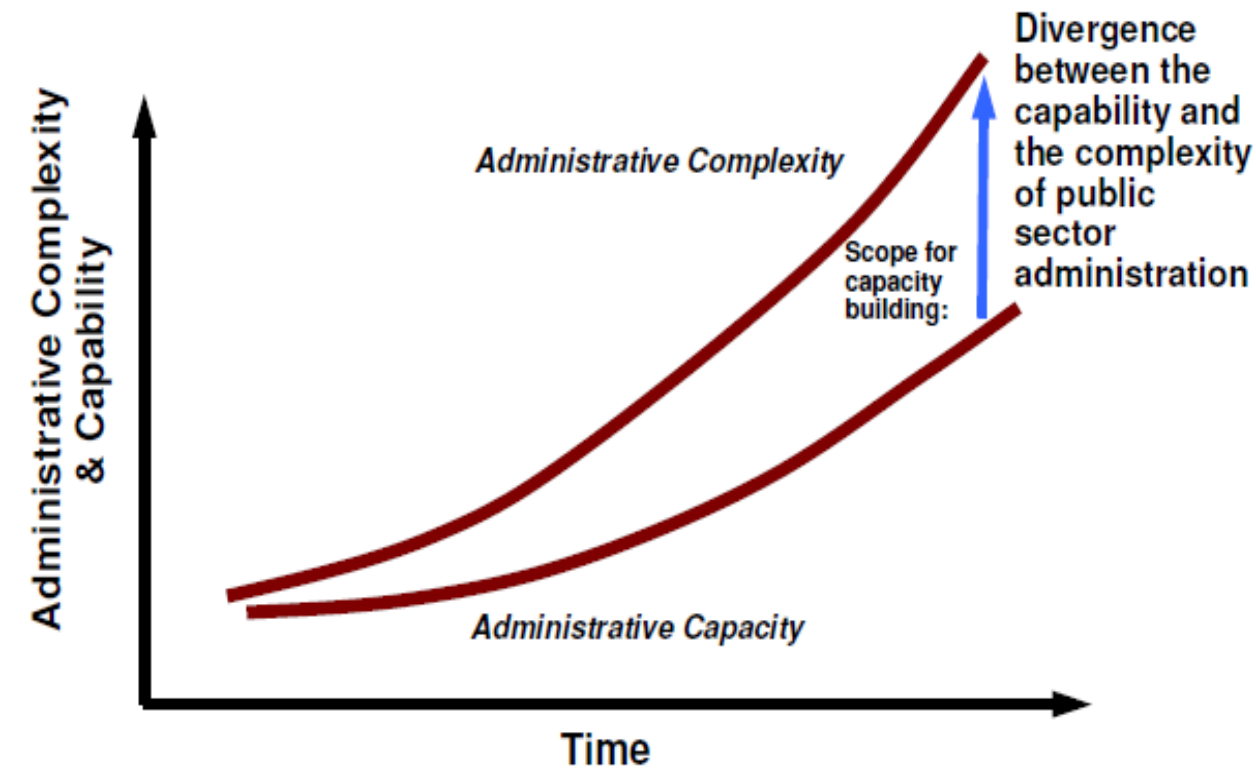
Is evidenced by ad hoc collaboration between agencies and some sharing of infrastructure. Although information and capability is still agency-based, variable governance arrangements and inconsistent customer experience exist.

Collaboration for public service delivery refers to the reciprocal and voluntary support that two or more distinct public sector agencies, or public and private administrations, including non-profit organisations (NPOs), provide each other in order to deliver a "public" service, i.e. one that is part of the government mission.

Source: *New Models of Collaboration for Public Service delivery – 2003 Center for Technology in Government*



Overall, the increase in the complexity of public sector administration has outpaced the increase in the public sector capability. This calls for a review of initiatives to deliver the new expectations



- The divergence between the public sector administration capability and complexity is fuelled partly by the **rapid technological advances** which gave rise to more sophistication in the economic and social structures.
- The sophistication in turn resulted in the **emergence of new areas for public sector administration** and **increased the depth and width** of public administration in existing sectors.



Communities of practice (CoPs) are groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly.

The Domain - An identity defined by a shared domain of interest.

The Community - Members who engage in joint activities and discussions, help each other, and share information. They build relationships that enable them to learn from each other.

The Practice - Repertoire of resources: experiences, stories, tools, ways of addressing recurring problems—in short a shared practice.

What is the Value of CoPs?

- They identify, create, store, share, and use knowledge
- They decrease the learning curve of new employees
- They enable professional development
- They reduce rework and prevent reinvention of the wheel
- They permit faster problem solving and response time to needs and inquiries
- They illuminate good practice
- They spawn new ideas for products and services
- They enable accelerated learning
- They connect learning to action
- They make for organisational performance improvement

What are the Characteristics of CoPs?

- They are peer-to-peer collaborative networks
- They are driven by the willing participation of their members
- They are focused on learning and building capacity
- They are engaged in sharing knowledge, developing expertise, and solving problems

What do CoPs do?

- Provide a means to exchange data, information, and knowledge freely
- Break down communication barriers
- Provide an informal, welcoming social environment
- Provide a means for relationship-building and networking
- Populate and reference their knowledge network workspace

How do CoPs Operate?

- They are in continuous communication
- They hold annual and quarterly gatherings
- They arrange monthly teleconferences
- They have daily or weekly informal interaction
- They regularly access their communication platform



KHAZANAH
NASIONAL

the **iA** group





