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Realizing Business Transformation of Software Product Firms

Table of Contents

Understanding Business Transformation and its Trends

At its core, Business Transformation involves making fundamental changes in how business is conducted to respond to the maneuvers in the market environment. There are a variety of goals for which the business transformation is undertaken. However, few basic goals at the grassroots often trigger a business transformation exercise. These are:

- To increase revenue and market share
- To improve customer experience
- To cut costs

Operationally, business transformation involves fundamentally changing the organization's systems, processes, people, and technology. These transformation exercises are complex and may take a lot of time to institutionalize. Also, this involves all the stakeholders right from the C-Suite to the lowest level in the organizational hierarchy.

Business transformation is often perceived as a driver of a major organizational change. Just like any other change, there seems inherent inertia in org stakeholders towards accepting a change. As a result, a business transformation drive is vulnerable to collapse over a period. Even if there is no complete collapse of the program, sometimes the results obtained through them are half-baked and cannot meet the goals for which they were initiated.

Following are some of the trends seen in today's marketplace that call for a complete business transformation:

1. Frequent mergers and acquisitions (M&A) and business consolidations often require adaptation to a change that requires business transformation. Often, collateral damage is seen as a part of institutionalizing change as a result of M & M&As, such as job losses and alignment/consolidation of business processes.

2. Rise in global competition posed by trends in digital businesses often requires taking on a business transformation program. These are not complex transformations but are deep-rooted if the program involves major goals such as improvising customer experience and satisfaction.

3. Spiraling cost overheads require a thorough relook at how business processes are laid out. Inefficient business processes often lead to cost escalation and additional overheads. For instance, inefficient organizational hierarchy often leads to attrition which needs to be mitigated by incurring additional overheads behind recruitment exercises.

4. Time to market improvisation is seen as one of the major trends, especially in product firms, driving business transformation. The time to market has become phenomenally important in today's digital world, and those 'patch work' based fixes seldom work. Organizations need to become agile and responsive to improvise on time to market.

5. Regulatory compliance is another standard trend that triggers a need to transform. However, this is the most undesirable goal and is always seen as an unwanted overhead. However, with the increasing globalization of businesses, it is important to comply with the regulations of different marketplaces, including ones in the home country.

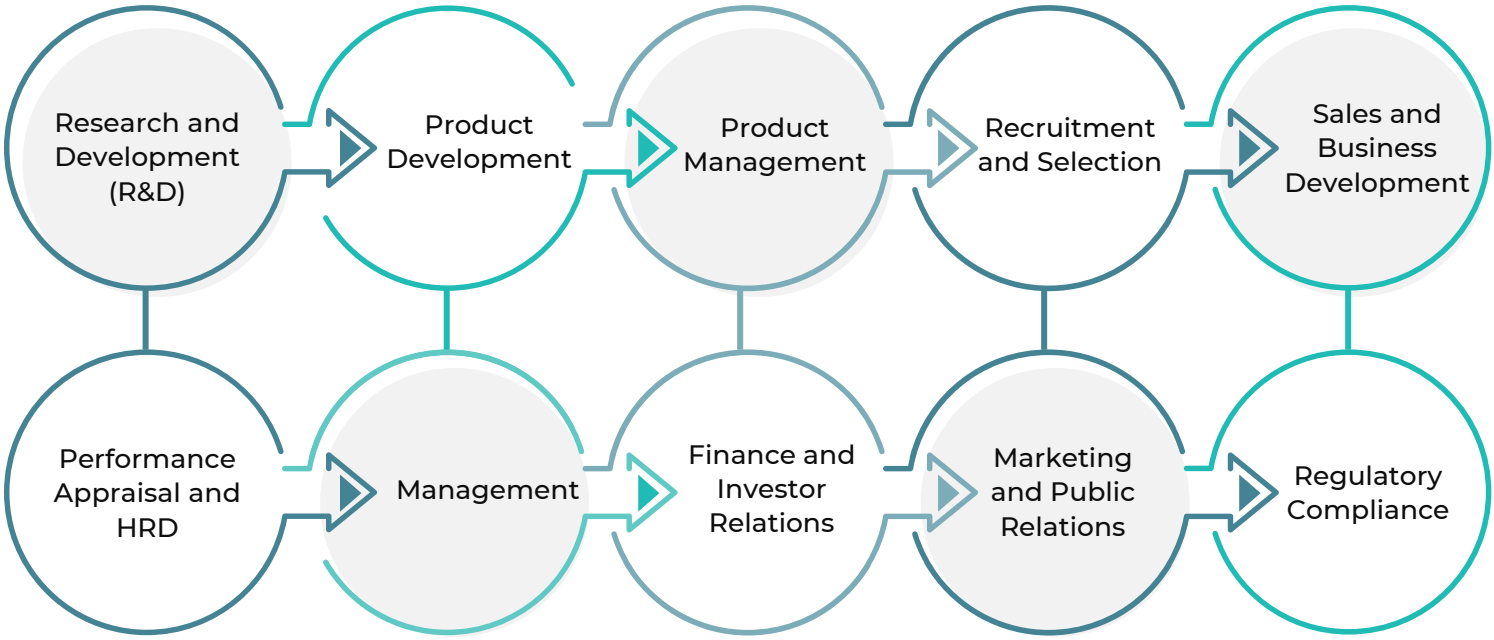
6. Rapid change in technology consumption of their end clients resulting in the need for newer user experience on their product platform, for instance, Bots that talk to clients and platform available on mobile devices.

There are other trends as well; however, while considering the topic of this paper, which is focused on the business transformation of software product organizations, the trends mentioned above are important to consider.

Key Business Processes in a Software Product Firm

Having understood business transformation and its trends in a software product firm, if we look at a modern software product firm, they have several business processes, some of which are unique to a firm. Software product firms, in order to transform, must look at how these processes are orchestrated and what all can change, and, importantly, what all needs to remain as it is.

Each process is linked to business performance, cost, and revenues as well in one form or the other. Business functions that are unique to a software enterprise need to be refined by aligning them to the best practices of their nearest matching business process. Although there is a possibility of transforming a unique business function into a standard business function, it is not always possible when a software product firm has worked on them for many years.



Looking at the above graphic on standard business processes of the modern enterprise, we could say that there is a scope for improvisation intervention at every step. Subsequent sections in this paper shall look at how each function (and each milestone in each function) can be optimized to become more efficient.

Key Success Factors for a Software Product Firm

As we know, the goal of a business enterprise is to be a 'Going Concern.' It is no different in the case of software product firms. These businesses exist to add value to enterprises in different industry verticals by automating, optimizing, and standardizing them.

When it comes to running their own business, they need to churn out cutting-edge technologies in the form of software products and execute each function such that the going concern is profitable and that the entire business remains sustainable and viable in the long run.

A transformation exercise aimed at achieving above mentioned goals needs to focus on a few key success factors. Incremental value addition to these key success factors shall determine the success and failure of a transformation drive. For the purpose of this paper, we consider value additions to the following key aspects as a successful transformation drive. The methods recommended in this paper for successful business transformation are aimed at impacting the following:

- A favorable and incremental impact on the top line of the business (revenues). They have a larger role to play in enhancing the business's bottom line.
- A progressive and reasonable reduction in costs and overheads. These, too, contribute in a big way in improvising the bottom lines.
- Improvisation of customer experience consistently to win on preferential perception.

How exactly does a Software Product Firm Transform?

After knowing what is involved in the business transformation of a software product firm and the key success factors, let us now discuss briefly how a firm could be interested in improvising its business transforms.

One of the most effective and unique ways a software firm can transform is by looking at each business process (shown in the graphic above on page no. 2) and examining how it has contributed to the key success factors discussed above. If there is a positive contribution and impact, it generally means that the function is efficient and should be continued. However, in the cases where there is a neutral or negative impact, that function needs to be improvised and transformed.

There are 2 key aspects wherein the business transformation can be carried out (either across the business processes or over the defaulting processes)

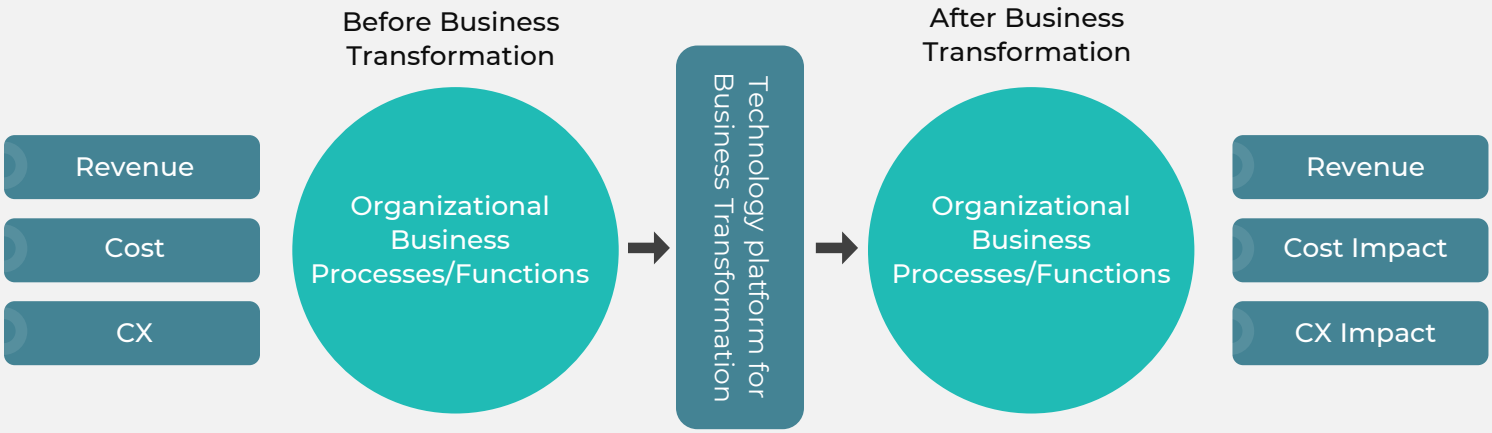
1. There is a need for a ready technology platform that can run an inefficient business process efficiently. The technology platform should not only execute the business process, but it should also recommend the alternate way in which the same business process can be executed, and it involves yielding a better outcome.

2. The business process should be tried on a smaller scale, either with a section of product development or one of the many products. If this pilot yields better outcomes, it can be continued across all the processes and functions for the product or related to the product.

It is important to note here that the technology platform in use needs to be proven should work on a sustainable basis over an extended period. It should be fault-tolerant and self-corrective. It should also involve frameworks and workflow for organizational compliance over the recommended business flow.

In the case of product firms, it is easier to evaluate the impact of such tech platforms by trying out one of two products from a business unit before applying it to the entire product line. In cases where product firms have development partners, it becomes quite handy to try the tech platform for business transformation over the piece of work that a partner executes.

It is clearly and 'before and after comparison – that is, how was the business function (such as let's say, product development – shown in the graphic on page 2) was doing before the organization embraced the tech platform and how was it doing after. The delta between the two needs to be positive.

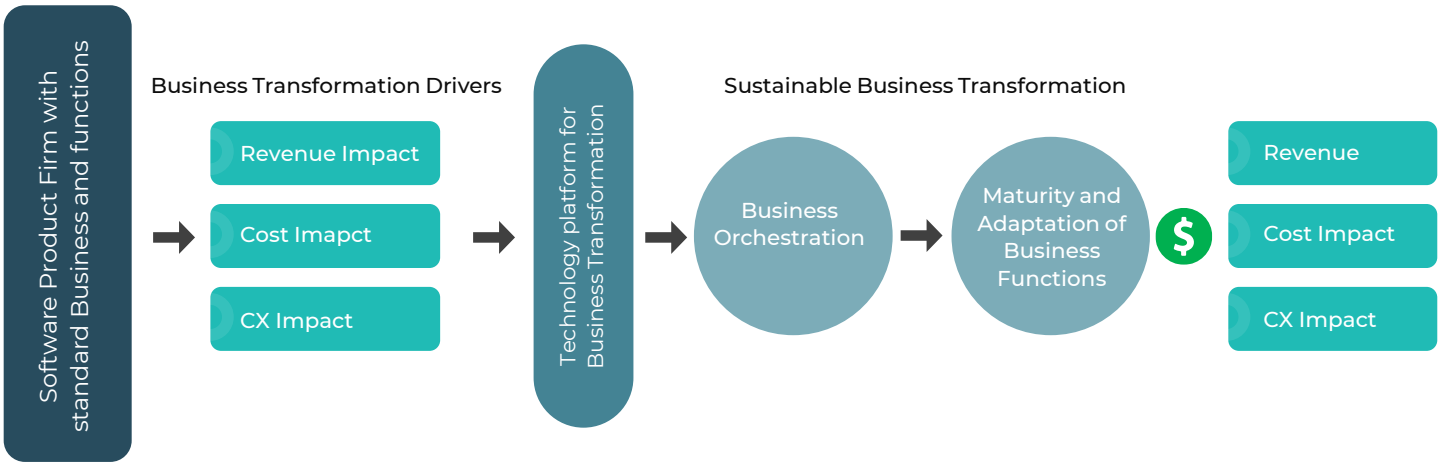


Arguably there are many tech platforms that promise to deliver business transformation, but the litmus test to consider here are the aspects (as discussed above) such as:

- Recommendation of an efficient business processes in line with the technology industry
- Orchestration and automation of recommended business processes
- Fault tolerant and self-correcting
- Scalable and organized
- Data-led and data controlled
- Built in reporting engine
- Built in compliance engine
- Makes the use of Machine Learning and Robotic Process Automation technologies.

What to expect in the End and in a Going Concern?

After institutionalizing and internalizing a tech platform to empower business transformation, it is fair for a software product business to expect that there shall be incremental gain as the new processes and platform become more mature and stable. These platforms self-improvise themselves as they adapt more to the uniqueness of business functions in each organization.



Key Takeaways

A Case in Point

A US-based $200 million ISV is operating in the Financial Services space with its flagship product in the area of improvising Customer Engagement. The product is successfully running at several leading banks and financial institutions worldwide. The product provides a 360-degrees customer engagement solution using a range of IPs it had developed.

To sustain the growth momentum and maintain the competitive edge through cost optimization and accelerated time to market, the ISV decided to partner with a Product Engineering Services (PES) provider. The PES provider they chose had a successful track record in delivering path-breaking products in different verticals. With the goals mentioned above that the ISV had in mind, they decided to start small with a segment of their robust product line.

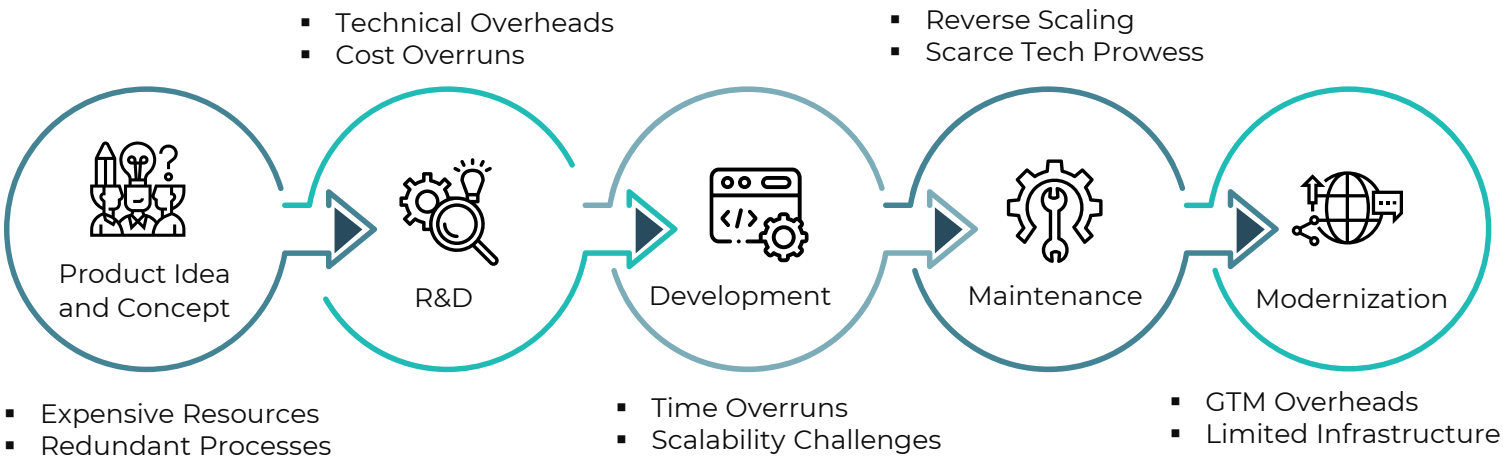
In 2 years of association, the relationship between the ISV and the partner progressed substantially, resulting in the PES provider becoming a critical part and virtual extension of the ISV's engineering team, looking after a signification portion of the product. In due course of the partnership, the PES provider brought up a concept of data-driven deliveries and data-driven decision-making in ensuring successful deliveries and meeting the goals. The ISV realized that the partner's ecosystem was geared up to deliver efficiency and control both simultaneously. The ISV's business processes that were part of the relationship started to get influenced by the way the partner executed them. See the graphic below.

The ISV was quick enough to realize that several business functions such as recruitment, performance appraisal, training, customer relationship management, attrition management, and so on had a very positive impact when the partner managed them for the part of the business that had an overlap with them. The ISV started to take more interest in how the partner's data-driven systems were running the ISV's business functions.

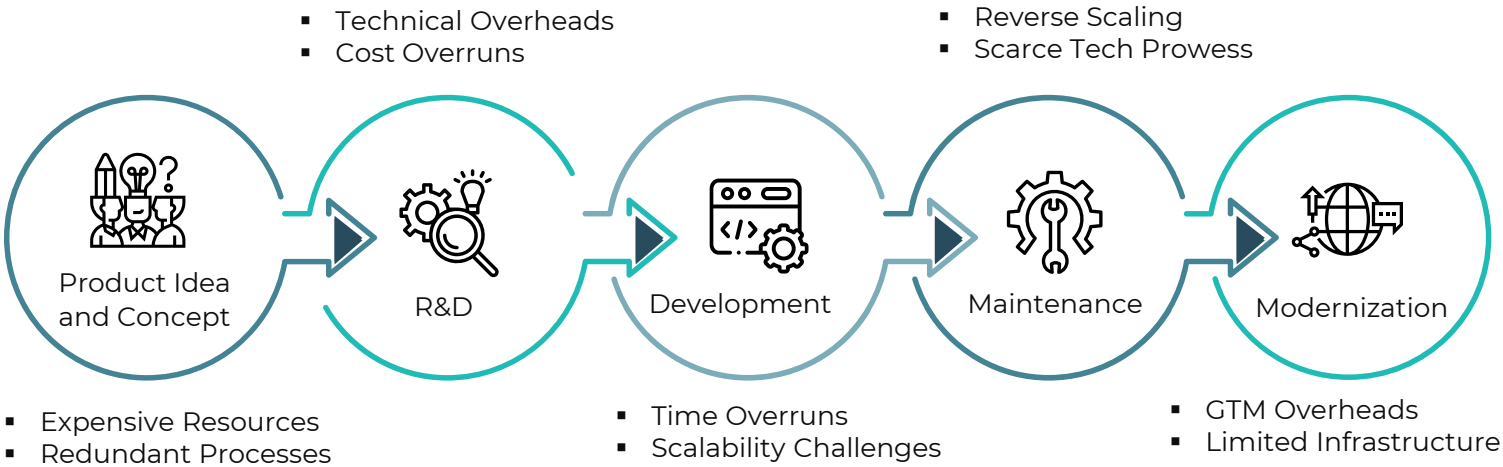
Soon after, when ISV was developing more than 70% of the product, the innovation-led data-driven engine of the partner's platform resulted in spinning out 4 more products from the same product line. There was a chart laid out to roll out those derivative products. It was so effective that it lowered the ISVs cost by 30% and accelerated the time to market by 20%. There was a plan to develop the derivate products using the data-driven processes that the ISV had embraced from the partner. The plan involved targeting 35% gains in productivity, reduction in attrition, rapid scalability, happy workforce, etc.

It led to a complete business transformation of the ISV, which resulted in gains that were otherwise not possible in running the business in the normal course. Business transformation is a long change-driven process that consumes a lot of time and resources, with higher risk. However, the way this ISV managed the transformation was truly innovative. One of the reasons at the foundation was the data-driven platform that their partner brought up, which resulted in the rapid turnaround of the business processes and quick orchestration of new business processes. Automation can lead to rapid transformation. However, the key to remember here is that automation must be relevant to the business. It also should be intelligent enough to aid the business decision-making.

Existing ISV Product Ecosystem



Transformation of Digital Product Engineering



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