Momentum Now: Europe

Drivers of a New Economic Paradigm: Case Studies from the Leading Edge

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Europe faces significant economic challenges: a fragile macroeconomic recovery with executive confidence levels trailing those of the rest of the world; limited access to credit; low consumer spending; and a highly stringent regulatory environment.

In addition, the region faces demographic challenges such as aging societies, low birthrates, and a migrating workforce. The ratio of workers to pensioners is expected to decrease from 5:1 today to 2:1 by 2050.[1] This presents a major productivity crunch for European companies and governments.

Despite these challenges, Europe is a strong knowledge economy with a heritage of innovation and e-readiness. European consumers are technically sophisticated and demanding, adopting the latest technology-driven disruptions such as broadband and smartphones en masse.

Technology-driven disruption, however, is a major concern among European business leaders. Seventy-four percent of IT and business executives believe their companies are susceptible to IT-enabled disruptions, while only 48 percent believe they are well prepared for those disruptions.[2] This gap is larger in Europe than anywhere else in the world—many CXOs see technology innovation as a threat to their operations, and some European leaders are worried that the region will be left behind.

How can CIOs help their companies and governments embrace these disruptions to drive innovation and productivity? Technology can lend insight into these issues.

Technology: Threat or Opportunity

We are in a time of serious market transitions driven by technology-enabled disruption. The Internet is connecting everything and everyone, challenging companies and governments to manage their operations and employees around the world. Ensuring productivity, security, and other risks becomes a major challenge in the midst of technology migration.

One recent migration is toward cloud computing, a model whereby shared resources, software, and information are provided to computers and other devices on-demand over the Internet (or cloud). The challenge for CIOs is whether to host cloud services internally or go through a managed service.

Desktop virtualization extends the cloud model by providing users with a "virtual desktop" experience. When users work from their remote desktop client, all of the programs, applications, processes, and data used are kept and run centrally. This scenario allows people to access their desktops from any capable device, such as a PC, laptop computer, smartphone, or thin client.

Web 2.0 tools such as wikis and blogs are becoming more prevalent in the enterprise. Executives use these means to communicate to global employees. Companies also use these tools to speak with customers and collaborate with partners across distances.

Video, popular among consumers due in large part to YouTube, has migrated to the private and public sector. Not only do businesses use video for internal communications, but also externally to create/maintain brand awareness, educate customers on products, entertain the masses, and more.

Governments have also jumped on the video bandwagon. The official website of the United States White House and President Barack Obama, www.whitehouse.gov, is a prime example of video's impact in the public sector. Videos posted to the site range from press briefings, weekly presidential addresses, and speeches, to behind-the-scenes features on national and local topics.

CIOs are asking if these technological disruptions give them less or more control over their IT. The playing field is littered with questions, and CIOs are expected to have the answers. Their concerns include:

- How do I build infrastructure and take advantage of technological innovation?
- Which services do I provide employees, partners, and customers?
- How do I provision such services? Do I use a hosted or cloud model? For example, do I own my own telepresence virtual meeting solutions or opt for a telepresence exchange solution?
- How do I provide access to these systems?
- How do I manage associated risks while taking advantage of the upside?

The Good News

CIOs can explore ways to use IT to their advantage to *disrupt* rather than be *disrupted.* This is happening today. For example, broadband is changing the way cities are being designed, built, and managed—people can now work in city centers and live in suburbia, using broadband to collaborate and exchange information. In Amsterdam, a "Smart Work Network" of more than 100 neighborhood community centers enabled by public Cisco® TelePresence™ suites reduces traffic in the area and unites workers from all backgrounds and interests into a regionally distributed innovation cluster.

Healthcare providers are turning to Cisco HealthPresence™[3] technology to offer patients remote care. Paris Hospital Group (AP-HP), in partnership with Cisco and Orange Business Services, installed one Cisco HealthPresence consultation room in the long-stay geriatric Hôpital Vaugirard and a second station for experts in acute care at Hôpital Européen Georges Pompidou. Both stations were connected over the hospitals' secure, high-speed

network. Elderly inpatients attend consultations from a local Cisco HealthPresence consultation room rather than having to travel to the hospital. Using life-size video, HealthPresence connects patients to a specialist, while being assisted by a geriatrician and auxiliary nurse.[4]

Utilities are building Smart Grids, which have the potential to increase existing capacity by 30 percent without adding new power stations and, at the same time, reduce consumer bills by 15 percent.[5]

Retailers are revamping the online shopping experience using social networking tools ("shop with a friend") and mobile access; are employing information and communications technology (ICT) in the store to provide personalized video messages; and are capturing real-time marketing intelligence and traffic patterns through the use of networked security cameras. Tesco, Britain's largest retailer, uses both Cisco TelePresence and WebEx™ collaboration technologies to improve the way it makes decisions and shares expertise across continents.[6]

Cisco's use of its own technology has enabled the company to collaborate and improve productivity in ways that result in huge benefits. Here are two examples:

1. **Community-based IT support via wikis—**Cisco's growing population of Mac users created its own community support website—the Mac Wiki—which provides migration instructions, FAQs, troubleshooting tips, and user forums. With 10,000 unique visitors per month, the Mac Wiki enabled Cisco to reduce helpdesk costs by 10 percent ($2 million a year), improved productivity with increased uptime—$4 million annual value for Cisco—and created an IT self-support model that is being expanded to other platforms.
2. **Executive communications—**Cisco has a globally distributed workforce, and face-to-face meetings are limited by travel restrictions. Cisco executives and managers needed a better way to keep in touch with employees. Cisco developed C-Vision, a video-sharing application that makes it easy for any employee to create and publish informal, engaging videos. Ease of use has encouraged many managers—including Chairman and CEO John Chambers—to post video blogs frequently. The benefits are improved employee alignment and morale, a 20 percent reduction in voluntary attrition, $10.4 million a year savings in training and recruiting costs, and $1.2 million a year in savings from self-service video production (versus using Cisco studios).

Solutions

CIOs can create an IT foundation to support transformational developments, starting with an open, scalable, robust, and secure network architecture that is future-ready. For example, networks must handle significant growth of video traffic throughout all parts of the enterprise so that the user experience is guaranteed. In addition to network architecture, CIOs need both a collaboration and data center architecture.

By focusing on delivering a superior customer experience and creating a productive, borderless organization, companies will emerge as clear winners when the economy begins to recover. Innovation to create a superior customer experience in a cash- and labor-constrained environment can be achieved in several ways:

Harness collective organizational knowledge: Nokia uses internal wikis to drive innovation. Philips Electronics uses Cisco TelePresence technology to bring together executives from around the world in a virtual room. Cisco has moved away from a purely command-and-control organization to one embracing cross-functional boards, councils, and working groups to accelerate innovation and reach a wider number of leaders.

Move to an open innovation model: Leading companies are starting to harness the power of open innovation. P&G uses Cisco TelePresence to build on its extensive R&D capabilities. In addition, online marketplaces like InnoCentive and social networking tools like Twitter are helping companies establish a dialogue with partners, suppliers, and customers.

Develop new business models and partnerships: Telecom providers and software companies are offering managed services, hosted solutions, and pay-as-you-go models, allowing customers to reduce fixed costs and achieve flexibility to scale when needed. Meanwhile, broadband and video are changing the way people collaborate across enterprises and in social environments.

Productivity gains can also be realized with smart investments, as illustrated in the following examples.

- **Increase employee time efficiency and reduce expenses:**
  - Swiss Post experienced a 15 percent to 20 percent increase in productivity of its salesforce by using Cisco advanced Unified Communications, Web 2.0 technologies, and Cisco TelePresence to collaborate internally and interface with customers.[7]
  - Using its own TelePresence technology, Cisco reduced its annual travel budget from $740 million in FY2008 to $240 million in FY2009.
  - GE's use of Cisco collaboration tools—including TelePresence—allowed GE to increase its rate of innovation by more than 50 percent in the development of new healthcare products for China. Engineers across the Pacific collaborated in product development and accelerated go-to-market processes without having to relocate. The products, co-designed for China by local and U.S. engineers, were also a huge success in the United States. Enterprise TV capabilities and video podcasts help disseminate knowledge more effectively and efficiently.
- **Make efficient use of scarce resources:**
  - Office space can be optimized by creating virtual desks, enabling enterprisewide wireless access, and by implementing modern home office solutions. New capabilities such as Cisco EnergyWise software allow real-time monitoring of all equipment plugged into the corporate network, leading to significant energy savings. IT virtualization and cloud computing can boost data center productivity by more than 30 percent.
- **Experiment with emerging technologies:**
  - Bankinter, S.A. uses automated Short Message Service text messages triggered by customer purchases to make timely and relevant insurance offers.

Next Steps

CIOs must become strong business partners in addition to efficiently running their IT departments if they want to contribute to IT-enabled disruption. This requires four key actions:

1. **Talk IT—**Engage in business dialogue and advocate how IT can support and substantiate the business impact of deploying new IT solutions to drive innovation and productivity. Establish and actively participate in cross-functional partnerships and project teams including R&D, finance, facilities management, sales, marketing, and service. IT must become embedded in decisions regarding buildings, customer service, or product development.
2. **Think "architectures"—**Create thorough architectural blueprints for IT to support business growth and productivity.
3. **Evaluate public/private cloud models, desktop virtualization, social networking, and video—**will you operate everything through an internal service or in the cloud?
4. **Pilot new technologies—**Seeing is believing: a "petri dish" approach can help business peers experience new tools and demonstrate business value.

Overcoming the traditional departmental "silos" existing in most organizations today will create a truly borderless organization that will allow IT-enabled innovation to come to fruition, leading to breakthrough results. Now is the time to invest wisely and embrace IT.

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Endnotes

1. Cisco IBSG analysis, 2009.
2. "Time to Raise the CIO's Game: A Call to Action for European Companies," McKinsey Quarterly, McKinsey & Company, November 2009.
3. Cisco HealthPresence creates a live, "face-to-face visit" experience over the network for clinicians and patients, even though they might be hundreds of miles apart. The visit is enhanced by the availability of physical (such as vital signs) and diagnostic information generated from a variety of medical devices integrated with Cisco HealthPresence.
4. "Making Tomorrow's Healthcare Systems Fit for an Aging Society," Cisco IBSG, September 2010.

5. “Smart Grid: The Role of Electricity Infrastructure in Reducing Greenhouse Gas Emissions,” Cisco Internet Business Solutions Group, October 2008.
6. http://newsroom.cisco.com/dlls/2010/ts_071210.html
7. “Cisco IBSG Helps Swiss Post Boost Salesforce Effectiveness,” Cisco IBSG, 2009.

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More Information

Cisco Internet Business Solutions Group (IBSG), the company’s global consultancy, helps CXOs from the world’s largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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