HEXAWARE

Whitepaper

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Strategic Spending for Sustainable Growth: A Framework for Enterprise Cost Optimization

Contents

Abstract

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This whitepaper explores strategic cost optimization as a crucial driver of sustainable growth. It delves into Hexaware's proven approach, highlighting its holistic framework, digital transformation expertise, and value proposition for businesses seeking to optimize costs and achieve long-term success.

Introduction

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The global economy in 2024 is a tightrope walk, with growth teetering at 3%, inflation clinging on like a stubborn shadow, and geopolitical storms threatening to sweep the rug out from under us. These factors, coupled with supply chain disruptions and technological breakthroughs, have created a VUCA (Volatile, Uncertain, Complex, and Ambiguous) environment where businesses must be agile and cost-efficient to thrive. However, abrupt cost-cutting can eventually be detrimental.

Strategic cost optimization goes beyond mere expense reduction. It focuses on identifying and eliminating inefficiencies while investing in growth-enabling initiatives. This holistic approach drives long-term profitability and empowers you to weather economic storms.

At Hexaware, we understand that navigating this journey requires a trusted partner who can provide holistic solutions, actionable insights, and unwavering support. We use a data-driven approach and deep industry expertise to help you identify and eliminate inefficiencies across your organizational processes. Committed to your continuous improvement, we help you unlock value through process optimization, technology selection, strategic sourcing, talent management, and more.

Understanding Cost Optimization

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Cost optimization is the ongoing process of identifying and implementing strategies to improve your organization's efficiency and effectiveness while minimizing expenses. This involves continuously scrutinizing and refining operations, exploring alternative approaches, and leveraging technology to streamline processes. Cost optimization is crucial for businesses to maintain financial health, improve profitability, and remain competitive.

Short-term Cost Reduction vs. Long-term Sustainable Cost Management

Short-term cost reduction prioritizes immediate savings, often through quick fixes like budget cuts, salary freezes, and layoffs. While these may offer temporary financial relief, they can have negative consequences, such as losing valuable talent and knowledge and lower customer satisfaction.

Only 11% of organizations can sustain cost cuts over three years. This is because most cost-cutting strategies are short-term and fail to preserve the behavioral change required for smart spending decisions in the future. (Gartner)

Long-term sustainable cost management takes a strategic approach by focusing on prevention over cure. This involves analyzing processes, investing in technology for automation, and renegotiating vendor contracts. For example, a company might invest in energy-efficient equipment to lower utility costs over time or implement process improvements that streamline workflows and decrease errors. While the benefits may take time to materialize fully, these actions promote ongoing operational improvements and position the business for lasting success.

Overcoming Challenges in a VUCA World

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Technological innovation, globalization, and geopolitical challenges are some of the factors that continue to create a VUCA world where constant change, uncertainty, and ambiguity are the new normal. In such an environment, it becomes crucial to adapt and overcome pressing business challenges like:

Handling Disruptive Market Dynamics

Disruptive market entrants, heightened audience expectations, and the ease of digital learning about unfamiliar brands are challenging the traditional sources of brand value, e.g., brand reach and sentiment.
75% of audiences have searched online for information about a previously unfamiliar brand while shopping, and only 15% report being committed to a given familiar brand.

This necessitates agility and the ability to identify and capitalize on emerging trends to redefine and quickly demonstrate the value of brand investments in a volatile environment.

Balancing Margins and Growth

In a VUCA world, inflation adds a layer of unpredictability, making it harder to forecast costs and plan for investments. As businesses are forced to raise prices, it can reduce customer demand and hinder growth.
It becomes vital to continuously adapt pricing and operations in response to inflationary pressures to stay competitive. This creates challenges for long-term growth strategies.

Evaluating Operating Models

87% of digital leaders take a centralized governance and oversight approach to benefits and costs, and 37% of global business leaders expect their business model to change significantly due to disruptive forces like supply chain instability, worker shortages, and inflation. Centralizing operating models with a strong, outcome-driven incentive system is now imperative to adapt to VUCA environments.

A Holistic Cost Optimization Approach to Optimize Your Cost Reduction Strategy

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Fewer than half of leaders achieve the level of savings they set out to in the first year of cost reduction. It is essential to mitigate this risk by future-proofing cost management and ensuring it is scalable to drive necessary growth.

A fragmented approach to cost optimization is akin to playing whack-a-mole. You might address one cost issue only to see another pop up elsewhere. A holistic strategy, on the other hand, is like taming a wild beast—it requires a comprehensive understanding of its entire ecosystem to achieve long-term control and efficiency.

Your cost-focus strategy needs efficient cost optimization and strategic cost reduction. As markets fluctuate and consumer demands evolve, a well-defined cost-reduction strategy will help you remain competitive while ensuring long-term financial stability.

A five-step cost optimization framework will help you optimize your cost-reduction strategy:

Step 1: Plan Programmatically for Cost Optimization Objectives

A programmatic approach ensures you cover strategic and tactical aspects of cost reduction initiatives to achieve desired outcomes. It involves defining the targeted areas for cost reduction, setting well-defined and trackable goals, and outlining timelines, resources, and potential challenges.

To ensure maximum efficiency at this stage:

- **Define success:** Articulate cost reduction goals and align them with the overall business strategy. Set specific, measurable, achievable, relevant, and time-bound (SMART) objectives.
- **Establish scope:** Determine the areas for focus, whether department-specific, product-based, or company-wide. Consider factors like potential impact, time constraints, and resource availability.
- **Build a team:** Assemble a cross-functional team with expertise in finance, operations, and the targeted areas.

Step 2: Baseline Current Spending and Prioritize Opportunities

Collect comprehensive data on current spending across the targeted areas. This includes identifying cost drivers, from raw materials to overhead expenses. By meticulously analyzing this data, identify inefficiencies, redundancies, and optimization opportunities.

Once you have identified the opportunities for cost reduction, prioritize them based on potential business impact, feasibility of implementation, and other relevant dimensions. This sets the stage for long-term business growth.

Step 3: Define Opportunities as Projects and Execute Them

This stage translates identified cost-optimization opportunities into actionable projects.

Here is what you can do:

- Develop detailed project plans for each prioritized opportunity. This includes defining project scope, timelines, resources, budgets, and success metrics.
- Execute the project plans, ensuring alignment with the overall cost optimization program objectives. This might involve process redesign, vendor negotiations, or technology implementation.
- Address potential resistance to change through effective communication, training, and employee engagement strategies.

Step 4: Establish Effective Governance for Tracking Progress

Establish clear metrics to track progress toward cost optimization objectives. This might involve monitoring cost savings achieved, process efficiency improvements, or implemented initiatives' return on investment (ROI). Use established reporting mechanisms to track progress, measure performance against KPIs, and identify areas for improvement.

Also, designate a clear governance structure with roles and responsibilities for overseeing, monitoring, and making program adjustments as needed.

Step 5: Ensure Course Correction for Optimization

Evaluate the effectiveness of implemented cost reduction initiatives regularly. This allows for adjustments to optimize savings and address any unforeseen challenges. Your ongoing analysis will help refine the overall cost optimization program to adapt to changing business needs and economic conditions.

You can ensure continuous improvement by fostering a culture of continuous cost optimization within the organization, encouraging the identification and implementation of ongoing cost-saving measures.

Ready to dive deeper? Hexaware's Strategic Cost Optimization playbook helps you strike a balance between optimizing expenses and fostering business growth. It takes a unique, programmatic approach to analyze both IT and non-IT areas of customer spending, targeting potential savings of 30-40%. This multi-phase, consultative program takes a medium-to-long-term perspective and is designed to enhance agility and resilience in any market condition.

Hexaware: Your Cost Optimization Partner

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Hexaware is a leading global provider of digital transformation and enterprise automation solutions. We leverage our deep industry knowledge and cutting-edge technologies, such as artificial intelligence, automation, and cloud computing, to help you achieve cost optimization through digital transformation. Our experienced professionals collaborate closely with you to understand your needs and develop customized solutions that deliver tangible results.

Hexaware's Commitment to Client Success

Hexaware's mission is to help businesses thrive in a world fueled by digital innovation. Our purpose of creating smiles through great people and technology is the foundation of our business strategy and drives the fulfillment of our brand promise.

We emphasize automating routine tasks, optimizing business processes, and streamlining workflows. But our goal is not just to cut costs. It is about enabling you to reinvest your savings into strategic initiatives that fuel innovation and growth. We believe in working as partners, analyzing your specific needs to deliver tailored cost-saving strategies that genuinely impact your bottom line.

Streamlining your Existing Operating Model for Efficiency and Agility

We take the time to understand your needs through a comprehensive assessment before recommending a tailored service framework. This approach and our certified and skilled resource pool guarantee access to the expertise and experience needed to achieve your business objectives.

Hexaware's comprehensive cost optimization assessment will help you gain insights into your enterprise landscape through detailed process-driven lenses. These insights provide a foundation for streamlining your existing operational model by identifying gaps and prioritizing opportunities to achieve rapid cost savings.

Here is how:

- **Baselining your spending and reviewing your staffing structure:** Helps identify areas where you might be overspending or understaffed, allowing you to optimize your resources.
- **Analyzing data on company sites, end-user count, and staffing numbers:** Provides insights into your operational efficiency and helps identify areas for improvement.
- **Benchmarking ticket data alongside monitoring and automation tool inventory:** Helps assess the effectiveness of your current processes and identify opportunities for automation.
- **Reviewing your inventory of applications, servers, database, and network devices:** Identifies any outdated or underutilized infrastructure that can be decommissioned or consolidated.
- **Analyzing cloud spend and subscription data:** Helps identify opportunities to optimize your cloud usage and reduce costs.
- **Assessing your ITSM (IT Service Management) and ALM (Application Lifestyle Management) processes:** Identifies areas where your processes can be improved to be more efficient and agile.

Attaining Long-term Profitability and Sustainability through Strategic Cost Management

Our multi-pronged strategy combines immediate cost reduction with long-term cost optimization.

After analyzing your current operations, we implement:

- Corrective measures like process automation, vendor consolidation, and right-shoring (moving operations to more cost-effective locations) to achieve immediate cost savings.
- Cost-effective technology solutions, optimize resource planning, and mitigate risks to ensure long-term financial stability and avoid potential cost pitfalls in the future.
- Methods to reach new customers and expand your market share and innovate and create new offerings to drive business growth and sustainability.
- Approaches to create a culture of cost consciousness within your organization. This involves streamlining workflows, implementing automation, and improving data management.

Leveraging Next-gen Enablers for Cost Optimization Efficiency

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We leverage a combination of custom-built platforms, tools, and frameworks to streamline your digital transformation processes, ultimately leading to efficient cost management. Here is a breakdown of how they contribute to driving cost optimization across your enterprise:

Hexaware Platforms	
Tensai®	This AI-powered platform utilizes data analytics to provide insights and automation, helping you navigate market disruptions, optimize operations, and make data-driven decisions for growth. It modernizes your IT ecosystem, driving innovation and maximizing business value.
Amaze®	This cloud-based platform simplifies and optimizes IT infrastructure management, enabling you to scale efficiently and reduce operational complexity.
RapidX	RapidX is our next-gen AI-powered platform designed to turn your ideas into fully functional applications. Our AI-assisted Software Development Life Cycle (SDLC) leverages a suite of Transparent AI Agents to deliver acceleration, quality and standardization.
Hexaware Cost Optimization Enablers	
Comprehensive assessment toolkit	• Cost-saving opportunity identification • Prioritization based on feasibility, size, and speed to benefit • Impact analysis on day-to-day business and future readiness
Gen AI-led knowledge management database	• Integration with multiple Gen AI and learning modules • Advanced search and duplication detection • Role-based access control • Data-masking and secure API connections
Resource optimization framework	• Rate benchmarking • Headcount optimization • Pyramid rationalization • Right-shoring
Advanced tools and frameworks	• Productivity benchmarking • Automation-led operations • DevOps and test automation

By implementing these next-gen enablers, Hexaware helps you achieve efficient cost management through:

Systematic identification and prioritization of cost-saving opportunities.
Optimized resource allocation through AI-powered knowledge management and strategic workforce management.
Enhanced operational efficiency with automation, leading to reduced labor costs and improved productivity.

Hexaware goes beyond standard service delivery, offering a proven track record of platform-led managed service engagements that deliver definitive cost efficiencies. We achieve this through a combination of tried and tested price and quantity reduction levers, ensuring you get the most out of your investment.

Case Studies and Business Use Cases

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A multinational investment bank and financial services company with an advanced IT infrastructure system benefited from the Hexaware automation roadmap that reduced costs, enabled quicker response times, and ensured superior efficiency of services. The massive savings on manual efforts per month and higher accuracy in resolution boosted financial performance and aided in corporate transformation. Hexaware's solutions focused on thoroughly analyzing and identifying opportunities for evaluating benefits at various integration points. After formalizing the automation blueprint, our bot factory team planned and orchestrated tasks with zero-to-minimum human intervention. Delivering automation in sprints allowed for smarter and faster boosts in productivity. Read the full case study for more insights.

Similarly, a global information services company operating in over 150 countries across various industry verticals benefited from a holistic solution for managing its software assets. The SAM implementation allowed automation to come into play, improved inventory insights, and enhanced ROI due to lowered costs. Hexaware implemented the SAM platform with a roadmap for future automation for a clear view of assets and the surrounding software inventory. The SAM platform helped upkeep asset inventory and environment while tracking and maintaining all the software licenses and contract databases at one single location. Since SAM is not purely an

IT-based process, we helped enable a significant cultural change across the organization and ensured the teams took complete ownership of the processes involved. This case study details the challenges and the robust solutions delivered by Hexaware.

Conclusion

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In today's volatile business environment, strategic cost optimization is no longer a luxury; it is a necessity for sustainable growth. While continuous cost optimization helps you achieve long-term efficiency, short-term cost reduction delivers quick wins by eliminating wasteful expenses. Embracing a balanced approach utilizing both strategies will help you optimize financial performance and position your business for success.

Hexaware's sustainable cost management approach has helped clients reduce costs while driving digital transformation. We invite you to schedule a free consultation with our cost optimization experts to discuss how we can drive cost optimization for your enterprise.

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About Hexaware

Hexaware is a global technology and business process services company. Every day, Hexawarians wake up with a singular purpose: to create smiles through great people and technology. With this purpose gaining momentum, we are well on our way to realizing our vision of being the most loved digital transformation partner in the world. We also seek to protect the planet and build a better tomorrow for our customers, employees, partners, investors, and the communities in which we operate. With offices across the world, we empower enterprises to realize digital transformation at scale and speed by partnering with them to build, transform, run, and optimize their technology and business processes.

Learn more about Hexaware at www.hexaware.com

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