Microsoft Dynamics 365

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The Futurist CFO's Guide to Business Model Innovation

Who this is for...

CFOs and senior business leaders who want to optimize their financial and operating models to take advantage of new project-based and service-based revenue streams.

Estimated reading time:
15 minutes

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Navigating the shift to services

Organizations of all sizes and across all industries are looking to disrupt their markets with nontraditional digital, subscription, project, and service-based business models. This trend began in the IT space. Now, companies of all kinds, not just IT organizations, are harnessing data to create new business models. They are disrupting the way products and services are sold, blurring industry lines, and transforming customer experiences.

With the introduction of service-based business models, companies can create renewable and predictable revenue, as opposed to one-time transactional revenue. Recurring revenue models include subscription services, products sold through subscriptions, project-based services sold through a consumption model, and project-based services sold through fixed-fee models. These new models can build loyal, long-term relationships with customers by engaging customers in new ways.

Traditional ERP systems and business methods, however, don't enable the rapid change required to transform business models. Whether it's because of a lack of business visibility and insights or manual and error-prone processes, traditional system are often roadblocks to true transformation. Businesses must now find the right ERP for their service-centric organization: solutions that integrate financial management, sales, project management, resourcing, and people management to help drive financial, operational, and organizational success.

These new business models require a significant shift in operational and organizational structures. Recurring-revenue business models require linking financial indicators to underlying operational metrics, which is something legacy ERP systems are not designed to do. Unifying financial, operational, and organizational data is essential to unlocking insights and opportunities for improvement that add value to the service-based business model.

Disruptive new business models

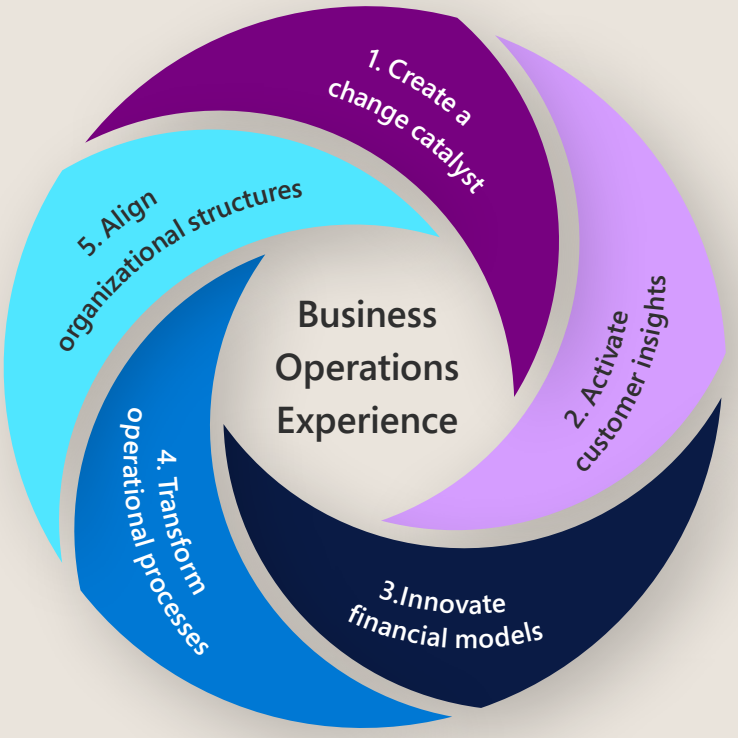
Disruptive business models are changing the business world as we know it. These new models include:

- **Subscription models**. Whether they're employing as-a-service offerings sold as subscriptions or products sold through subscriptions, companies are increasingly adopting subscription models to create new revenue.
- **Marketplace models**. By using online marketplaces, companies can connect buyers and sellers on a centralized platform. This helps reach buyers on social media, gaming, and virtual worlds.
- **Experience models**. Customers want more than a product, they want an experience tailored to their preferences and needs. Businesses need to create unique digital user experiences in response to ensure customers continue using their platforms.
- **Sharing models**. Sharing models are based on the idea that people or organizations can procure goods or services from a large, open group of participants. Crowdsourcing and the gig economy are examples of sharing models in action.
- **Connectivity models**. Data and AI are transforming how businesses deliver products and services today. This trend has now expanded beyond consumer markets across all industry verticals. Businesses are turning to connectivity models based on AI and machine learning to reach their customers more effectively.

The Business Operations Experience: Five strategies to optimize financial and operating models for a service-based world

To address these challenges, the Business Operations Experience creates the foundation for delivering better customer outcomes. It's a strategy that maps how an organization delivers value to their customers, including how value is captured (financial models), the way the business is run (operational processes), and how people work (organizational structures).

The Business Operations Experience contains five strategies to optimize financial and operating models that help you navigate the rapidly shifting business landscape.



Strategy 1

Create a change catalyst

By connecting financial, operational, and organizational leadership through timely insights on the most pressing trends, opportunities, and challenges facing your organization, you can proactively drive continuous digital transformation.

Strategy 2

Activate customer insights

Leveraging a comprehensive understanding of the customer, you can create an increasingly digital, personalized, seamless, and tailored experience that keeps them subscribed for life.

Strategy 3

Innovate financial models

Utilizing financial insights and modeling, you can reimagine how value is captured, by adopting subscription and service-based models that monetize data and using robotic process automation to scale faster and reshape global business.

Strategy 4

Transform operational processes

Shifting operations from delivering on a single transaction to growing customer lifetime value through frictionless processes helps you deliver on promised outcomes through new business models.

Strategy 5

Align organizational structures

By aligning people and financial resources to meet changing needs within the organization, you can create new roles and responsibilities and determine the skills and competencies required to deliver on new strategies.

Strategy 1

Create a change catalyst

Adaptive organizations aren't created by accident, they're built. A change catalyst is a strategy that outlines a blueprint for continuous optimization of the Business Operations Experience, including how to use market, financial, operating, and customer insights as catalysts for change. It also identifies the change catalysts who will create momentum and rally teams around digital transformation initiatives.

Here are the steps you can take to create your optimization blueprint:

- Assign a digital transformation leader and create a cross-functional dream team of change catalysts.
- Create a rhythm of business that includes updates on market, customer, financial, and operational insights.
- Build financial model research and recommendations into your planning and forecasting cycles.
- Create a business operations experience (BX) map that outlines financial, operational, and organizational processes, channels, partners, and performance metrics that facilitate optimization.
- Define organizational structures that can easily scale up or down based on growth initiatives.
- Strategize about where to pivot business models and where to accelerate execution.

Building the dream team

Creating an effective team to drive business-model disruption requires connecting financial, operational, and organizational leadership through cross-functional collaboration.

Finance leaders

Finance leaders are at a pivotal moment. Instead of spending their time on traditional mandates, finance leaders are becoming changemakers who accelerate growth. The shift to services requires them to rethink traditional financial models, identify new opportunities, and ensure financial data is available in a timely fashion to a broader audience than ever before.

Operations leaders

As organizations move to subscription and project-centric business models, the role of the COO is evolving to focus on customer lifetime value rather than individual transactions. This shift requires a different perspective on product and service delivery. Operations leaders play a significant role in resource optimization, including skills development, reskilling, and determining what regions need additional people hired to deliver projects on time.

People leaders

When adopting subscription and project-centric models, HR can help people and knowledge resources meet an accelerating pace of change. HR leaders also outline the new roles and responsibilities, as well as determine the skills and competencies required to deliver on new strategies.

Strategy 2

Activate customer insights

Consumers demand digital, seamless, and tailored experiences. According to a recent Forrester report, companies with effective digital experiences performed better during the pandemic and are better equipped for future growth.

Creating those experiences, which are central to digital business models, requires a comprehensive, up-to-date understanding of your customers. At the same time, servitization creates an explosion in the amount of data that needs to be ingested, stored, and managed. A real-time customer data platform (CDP) captures this data and provides the comprehensive behavioral and demographic data needed to optimize your business operations experience.

Here are 5 steps on how you can leverage a CDP to activate customer insights in real time:

- **Create a complete view of the customers:** Data is everywhere, from demographics, activity, location, devices, interests, and more—the most difficult part is having too many tools that don't work together and create silos of information without actionable insights. Creating differentiated experiences and services start with the ability to understand your audience. Bring together transactional, behavioral, and demographic data in real time to create a 360-degree view of your customers.

- **Enrich customer views with unique signals:** Gain a richer view of the customer by enriching customer profiles with first and third-party sources to reveal unique interests and preferences. Implement a process to continuously collect, analyze, and track real-time feedback. Customer voice tools and processes ensure you listen to every customer and understand their perception of your services.
- **Unlock powerful insights with analytics:** Enable AI-driven insights for business users to predict customer intent including lifetime value, churn risk, and next best action. Empower data professionals to gain deeper insights by analyzing the vast amounts of data generated across the business including customer, financial, operational, and unstructured Internet of Things (IoT) data.
- **Drive meaningful actions with confidence:** Harness the insights generated by analytics for informed decisions to personalize engagement across channels and automate customer-centric experiences.
- **Build customer trust with a secure CDP:** Uphold trust with principles that govern data collection and usage to protect customer privacy. Honor customer consent with built-in configurable tools that automatically store and manage consent across all business workflows.

With Dynamics 365 Customer Insights, we can look back and forward to create a unique and unforgettable customer experience."—

Bernt Bisgaard Caspersen, Head of Solution Team & Architecture, Tivoli

Strategy 3

Innovate financial models

Becoming a disruptor in today's ever accelerating pace of business requires investing in finance-first innovation. While activating customer insights helps you understand what your customers want, the right financial models will ensure you can capture optimal value to fuel business growth.

To enable finance-first innovation, you need to maximize financial visibility and profitability. You can accomplish this by:

- **Unlocking adaptability:** Cultivate a culture of change and continuous improvement within your finance team. Innovation starts with a vision and is fueled with inspiration. But it also needs collaboration, agility, and time to implement. Encourage your team to create strong networks and collaborate often with key stakeholders on how to create more flexible business models. Empower agility through adaptive financial management technology that supports new business models across your global operations. Teams that are given the time and are rewarded to drive continuous business experience optimization will bring innovative ideas to the table.

- **Focusing on impact:** More than a tradition business or strategy plan, the BX map helps you identify friction points, strengths, and opportunities for transformation within your financial operations. Use the map from your change catalyst strategy to prioritize initiatives that will drive the most change. Select key performance indicators that align your team around transformation objectives.
- **Embracing digitalization and speed:** Use the BX map to create more responsive reporting and faster cycle times using robotic process automation (RPA) to remove redundancy and streamline time-intensive and error-prone work.
- **Driving governance and standardization:** System and process complexity impacts efficiency, responsiveness, and agility; however, disparate systems don't have to be a blocker. Secure cloud managed data platforms will help you unify data and drive standardization across global subsidiaries. Once you have access to unified data, you can create centers of excellence for processes like collections, rather than having siloed departments duplicating efforts.
- **Getting to insight:** Agile strategy setting, real-time risk assessment, and faster decisions all hinge on insight. Accelerating digitalization lays the foundation, but you also need to implement advanced data analytics and AI to drive finance-first innovation. Gone are the days where analytics are done by a specialized team. Modern tools will connect stakeholders and help them better understand, interpret, and use financial data to make more confident operational decisions.

> **One of our major focuses has been corporate digitization. This naturally means digitizing across all business areas and, more importantly, digitizing for the customer, creating new routes to market and enhancing existing ones."—**
>
> **Joshua Motsuenyane,**
> **CIO, Coca-Cola Beverages Africa**

Strategy 4

Transform operational processes

Service-based operating models require new approaches to how you deliver value to your customers. While supply chain management remains critical for many industries, moving to a service-centric delivery model requires increased focus on your ability to manage projects. Operational success pivots from repeated individual deliveries to continuous engagement and project success.

Follow these five steps to connect data from initial customer contact through operational delivery:

- **Implement adaptive project operations lifecycle management:** Enable a successful service operating model with a new approach that truly reimagines business operations around actionable data.
- **Engage customers:** Create a consistent, seamless customer experience that inspires loyalty and trust. As selling services requires more precision, connected data and operational insight will enable you to win more bids with better contract management and more accurate project quotes, forecasting, and estimation.

- **Empower your people:** Ensure your people have the right tools to personalize service, collaborate, share knowledge, improve quality of work, and submit time and expenses on time. Disconnected project, time, and expense management tools prevent your people from delivering their best work. Connected solutions will provide contextual insights within the flow of work to help your people make decisions with confidence, while also improving collaboration and agility.
- **Optimize project financials to maximize profitability:** Recurring, subscription, and project revenue require a different approach to billing and revenue recognition. The ability to manage billing queues and adding ad-hoc transactions will provide you with more precise invoicing. And you'll need to ensure your system supports a combination of accounting rules for cost and revenue, accruals, and postings.
- **Transform services:** Most importantly, you'll need a new set of KPIs to reduce the cost of service delivery, accelerate time-to-market, focus on the most profitable projects, and generate new digital revenue streams.

We'll use Dynamics 365 to provide full transparency across our resource base, so we can see what everyone is doing, determine project profitability, and make adjustments to our services based on that data."—

Nina Hiesener,
Project Manager, SoftwareONE

How industries are embracing change

Here's how some key verticals are embracing industry changes associated with recurring revenue business models.

Financial Services

Insurance companies are switching from policy nomenclature to subscriptions and moving to apps that integrate AI and machine learning to onboard customers and fulfill claims within minutes. Banks are creating suites of digital services that offer financial, legal, and home buying algorithms that provide alerts on low balances, budgeting tips, and more.

Manufacturing

In the coming years, manufacturers will move from selling unconnected products to ones that come with connectivity services, and from selling a discrete product to selling products as a service. Manufacturers will also begin selling projects to replace legacy machines and technology.

Healthcare

Healthcare organizations are increasingly leveraging technology platforms to shift to telehealth services. By meeting with patients virtually, healthcare professionals can treat more patients while minimizing the risk of exposure to themselves and other patients.

Professional Services

Legal, business, architecture, media, engineering, and consulting organizations are moving to subscription or recurring revenue project-based models. As a result, you can now subscribe to everything from legal services to massage to interior design.

Retail

Many retailers are now offering product purchases as well as subscriptions. Some retailers are also offering concierge services to provide professional styling, shopping, or skin care to consumers. You can now sign up for printer ink, toothbrush, razor, and cleaning supply services.

Strategy 5

Align organizational structures

Because service-based business models close the gap between employees and customers, your people are more important than ever. Effective resourcing, skilling, knowledge management, and employee experience improvement enable you to keep top talent longer and deploy them effectively. Self-service tools for improving wellbeing, productivity, and collaboration empower people to do their best work. More broadly, organizational structures need to adapt, becoming more connected and fluid as servitization blurs the lines between traditional departments.

By aligning organizational structures, you can enable workforce transformation to quickly scale teams and up down based on business demand. To become a truly service-centric company, you need to:

- **Attract top talent:** Talented people are looking for organizations that align with their purpose and provide a workplace culture where they can deliver their best work.
- **Align people to impact:** New financial and operating models require different role profiles, team dynamics, and skill sets. By aligning roles directly to objectives and key results (OKRs) and to the new business operations experience (BX), you will improve the customer experience (CX).

- **Empower your people:** Operational excellence requires that all stakeholders have visibility into promised customer outcomes, project or service requirements, timelines, and budgets. With this visibility, people can do their best work, as they are focused on outcomes, while your organization gets the results you need.
- **Optimize project resourcing:** Use dynamic scheduling to ensure you have the right people, with the right skills, working on the right projects, at the right time. Dynamic resource scheduling not only keeps your customers happy, but it also reduces employee attrition and operational costs.
- **Leverage workforce insights:** Use resourcing, productivity, and wellbeing insights to take better care of your people. Ensure people across locations are getting the opportunity to work on exciting projects and implement productivity insights back into project delivery plans to optimize operations over time.

Bringing it all together

By using the five strategies in the Business Operations Experience to optimize financial and operating models, you can unlock the insights needed to capitalize in a world where everything is a service. This approach can help you reimagine your business models to drive business growth, disrupt your industry, and better serve your customers and services today. This trend has now expanded beyond consumer markets across all industry verticals. Businesses are turning to connectivity models based on AI and machine learning to reach their customers more effectively.

Optimize faster with Microsoft Dynamics 365

Microsoft Dynamics 365 can help you optimize financial and operating models to drive resilience and innovation. Improve financial dexterity, operational proficiency, and project-centric services success by making timely decisions using comprehensive, real-time reporting, embedded analytics, and AI-driven insights.

The power of Dynamics 365 is the way it connects data from within and beyond the Microsoft cloud and transforms it into actionable insights for your people to drive more impactful results. Equipped with the right digital capabilities, you get agility in the face of change, so you can pivot complex operations nimbly and quickly to keep your customers subscribed for life.

Confidently move to the cloud to optimize digital business processes and unlock the insights needed to adapt faster, work smarter, and perform better.

Request a live demo >

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Microsoft Dynamics 365

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