



**NIHILENT
PERSPECTIVES**



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Islands of Opportunities in an Ocean of Chaos

Minoo D Dastur, the Co-Founder and CEO at Nihilent, writes about the resilience of the Indian IT Sector and outlines the broad contours of what it will take for the industry and its businesses to prepare for a digital future for the world.

🕒 7 MINUTES READ

WHEN DEMAND AND SUPPLY CATCHES COLD

They say when America sneezes, the world catches a cold. But what happens when the world catches the corona virus? Entire humanity gets put on a ventilator! A virus 400 times smaller than the diameter of a human hair has exposed the frailties of the globalized economy. World economies have always benefited from the concept of risk pooling, but this time our luck has run out. We are witnessing a rare pandemonium, with simultaneous destruction of demand and supply. The IMF projects a sharp contraction by 3% in 2020, much worse than during the 2008-09 financial crisis.

While China is the world's factory, gradual digitalization and dematerialization of work has made India the world's IT office. The impact of the global disruption will ripple through this office into the coming quarters, but we will have to patiently wait to assess the actual severity. On the demand side, we expect every single industry to revisit their IT spend portfolio and consumption models. Industries such as travel, hospitality, manufacturing, auto, energy, which are at the forefront, will face an existential crisis. However banking

and financial services, consumer goods and retail, media and pharma will continue to operate and might even see a surge in short-term demand. On the whole, we expect to see a delayed off-take of scheduled projects and a reduced discretionary and overall spends owing to sluggish outlook.

On the supply side, restrictions to the movement of software professionals will be the biggest challenge. New onsite work has completely come to a stand-still. The case of offshore development centres is slightly better, for quick thinking around work-from-home policies and mobilization of infrastructure like laptops and virtual private network connectivity have compensated for mandatory closure of offices. These arrangements have ensured sufficient productivity and managed to keep the lights on for many industries around the globe. However, there are matters that are side-stepped, say confidentiality clauses, which will need to be addressed urgently to ensure we cross over the deep end today and now.

RISE OF THE PHOENIX FROM ITS OWN ASHES

The story of Wirtschaftswunder, or the 'German economic miracle' is well documented, about how a ruined state facing an incredible bleak future at the end of World War II, made a come-back to become a global economic power. Japan is another nation which rose quickly from the ashes of World War II becoming a producer economic state. These tell-tales indicate the nature of economic progress and development, which holds within its ebbs and flows, a promise of progress for humanity.

On the back of this disruption, there are already numerous conversations and many questions from business leaders, in boardrooms, on earnings calls, in the media, and in the government. Whatever be the question, digital transformation is the answer in succinct. The world and its industries have a rare opportunity to consciously redesign itself, on how it operates, integrates into a broader value chain, and develops its ecosystem. The winners will do so because they will break themselves free from their outdated legacy, in favour of business models which will hold value, speed, efficiency and most critically, flexibility as core strengths. An incredible acceleration is imminent, and we will experience 5 years of innovation in the next 18 to 24

months. Digital will offer the fire power for the world's next economic miracle.

As we ponder, this lockdown has provided businesses from around the world a rare opportunity to recast themselves into a shape that the new post COVID-19 order will prefer. They will erect robust digital infrastructure and tools for internal as well as consumer facing needs. But then, someone has to build it for them. Who stands to gain from this massive opportunity, perhaps the biggest since Y2K? Clearly the Indian IT Industry, who clocks about \$160 billion, by delivering about 60% of world's information technology sourcing, employing about 15 million workers, is poised to exploit the emerging opportunity.

But it is not going to be easy to eat this elephant. For the large number of Indian IT companies that have built their businesses around information technology enabled services, will have to fundamentally reassess their business models and make adjustments which will enable them to move up the value ladder. The Indian IT industry has shown its resilience time and again, for we have successfully moved delivery models from on-premise to off-shoring, and from capital-intensive

to capital-light models. We, as an industry, have managed the Y2K challenge for the world in 2000, cost efficiency challenges post the financial crisis on 2008, steam-rolled the global businesses once again by onboarding them onto SMAC (social, mobility, analytics, and cloud) technologies beginning 2013, and technologies like AI, ML, IoT, blockchain, AR/VR, and robotic process automation starting 2017.

Now, over the last 3 months, we have shown our mettle yet again by tiding over unprecedented disruptions overnight. We battletested a home-shoring model, achieved about 90% plus uptime, and demonstrated to the world, that if we deploy the right remote collaboration tools and practices, this new delivery model can work wonders. Signalling a distinct change in mindset, even companies that never utilized information technology outsourcing too the plunge in the recent months, into deep end of the pool. The window of opportunity for brand India is short, for there are countries such as Ukraine, Poland, Malaysia, Indonesia, Argentina, Mexico and many others eager to seize the opportunity in their favour.

Clearly, the future is not for the meek, but for businesses that have the audacity to think big and radically. It is for the IT companies who are able to master new age

digital competencies around interaction design, gamification, advanced analytics, data visualization, robotic automation, virtual and augmented reality, distributed ledgers, geospatial analysis, internet of things, machine learning, artificial intelligence, natural language processing and digital anthropology among others. And not just master, but deftly translate these capabilities into profitable businesses, that can deliver scalable workflow solutions for the corporate clients or meaningful retail products for the consumers.

As stewards to the digital future, the IT service providers have a critical role to play. We will have to espouse ambidexterity, a cyclic process involving the entire organization, driving exploration or idea generation in its upward stream, and exploitation of the qualified ideas in the downward stream. And we will have to bring the right skillsets to the table, and in adequate numbers, but most importantly organize in configurations that can deliver virtual enablement of products, services and solutions. Having forced to rigorously test models like work-from-home, even leaders with traditional mindsets are gaining confidence in remote work delivery. This new workforce model, a *'OnPremise-OffShore-HomeShore'*

blend, that supports on-demand work both in-person or virtually, is here to stay and for sound business

reasons. We see conditions ripening for the gig economy to flourish and play out its magic.

RECONFIGURING FOR A DIGITAL FUTURE

Now that we have moved past the panic induced knee-jerk reaction and accepted that we will be in the company of this virus for the foreseeable future, it is time to sketch a set of intelligent responses. Companies from every industry will have to reimagine itself and discover a way to adapt into the post COVID-19 world. There is no exception this companies from the

IT and the ITES industry either. Every company will have to navigate carefully if they aspire to emerge on the other side of this murky uncharted waters alive. Towards this, we present 4 distinct horizons along with specific focus areas for businesses to consider and prepare themselves for the long winding road to recovery.

THE NIHILENT FRAMEWORK FOR NAVIGATING ACROSS TIME HORIZONS			
SURVIVE	STABILIZE	REVIVE	REIMAGINE
APRIL 2020 - JULY 2020*	AUGUST 2020 - DECEMBER 2020*	JANUARY 2021 - SEPTEMBER 2021*	OCTOBER 2021 ONWARDS*
PANIC BUYING AND SUPPLY CHAIN BOTTLENECKS	INFLATION AND GOVERNMENT RELIEF PACKAGES	CHANGING BUYING BEHAVIORS AND NEW REGULATIONS	NEW LIFESTYLES AND INNOVATIVE BUSINESS MODELS
<p>Attend to the immediate challenges faced by the business such as -</p> <ul style="list-style-type: none"> ▪ Publish Guidelines : to guide and motivate all stakeholder groups in the time of crisis ▪ Strengthen Liquidity : preserve cash, reduce sales outstanding, postpone discretionary spends ▪ Resolve Bottlenecks : around areas such as inventory, distribution, and sales offtake 	<p>Quick Introspection of business performance and plan to address near-term challenges -</p> <ul style="list-style-type: none"> ▪ Identify Growth Areas : by studying business performance in the light of market demand ▪ Recalibrate Forecasts : using quick scenario modelling of demand and supply drivers ▪ Revise Budgets : to reflect new priorities set by the refreshed business operations strategy 	<p>Drive focus and decisive action to build growth momentum and return business to scale -</p> <ul style="list-style-type: none"> ▪ Revisit Business Model : to reflect consumer preference for a contact-less interaction ▪ Re-Design for Agility : to ensure lean, nimble and flexible business configurations ▪ Strategic Digital Investments : emphasizing adoption of digital and ecommerce technologies 	<p>Adapt to the new normal and seize the opportunities afforded by the new market landscape -</p> <ul style="list-style-type: none"> ▪ Cautious Globalization : conscious decoupling of supply chains to reduce dependencies ▪ Responsible Consumerism : driven by reduced appetite and support for local communities ▪ Interaction Experience : to provide equally compelling digital interaction experiences

* These timelines are projected on a best estimate basis and are subject to revision as more information and data points becomes available on the evolving pandemic situation and its impact

The first horizon, 'Survive' is about managing the turbulence, and seeks to address the immediate challenges that Covid-19 represents to businesses, their customers, workforce, technology and business

partners. The second horizon, 'Stabilize', seeks to assess recent business performance and address near-term challenges and the lockdowns economic knock-on effects. The third one, 'Revive' seeks

to create a detailed plan to return business to scale quickly as Covid-19 situation evolves and its impact becomes clearer. The fourth wave, 'Reimagine' seeks to accelerate business growth by adapting to the new normal, by studying what a discontinuous shift looks like, seizing the opportunities through innovation.

While all the pointers identified in our framework are important, the five priorities I would like to set out for ourselves, and our peers from the information technology industry, are as such.

- ***Proactively engage clients to support them in time of crisis*** – times are tough, and for clients, their business units that used to fund the IT budgets are in doldrums. IT service providers who proactively work on restructuring existing contracts and propose revised commercial terms responsive to the need of the hour, will earn their stripes and respect. As for new engagements, the focus has to be firmly on projects that eliminate clients' fixed costs in line with the reduced market demand or their products and services.
- ***Explore ways to maintain and improve IT workforce productivity*** – a fundamental rethinking around capabilities,

capacities and practices should be a priority. IT companies will have to re-assess market demand in terms of skillsets and competencies valued into a digital future. Shortfall should be quickly filled and the redundant should be supported with outplacement services.

Productivity should be monitored closely, and remote collaboration tools and practices incentivized for adoption.

- ***Package proven capabilities into ready-to-deploy services and products*** – in such troubled times, with unprecedented levels of internal change, clients will prefer off-the-shelf products and services as against be-spoke applications. IT companies will have to search their repertoire for intellectual property free software components they have developed, repackage them around business use-cases relevant today, and offer these as remote deployable products or services, at attractive price points.
- ***Offer smart self-care point solutions*** – the larger part of a customer's life is spent in the servicing phase and with social distancing restrictions impacting call centre operations, businesses are finding it difficult to serve their existing customers, consequently impacting their

income and risking brand reputation. There is significant opportunity for IT businesses to offer self-care point solutions such as conversational bots that easily integrates with popular social media platforms like WhatsApp.

- ***Dispense with the projects mindset in favour of a digital transformation program*** – the pandemic has forced businesses and customers to adopt new practices and lifestyles, and importantly, sustained them long enough to enable habit formation. With customers' interaction preference shifting in favour of low-touch or contact-less, businesses will need to espouse a digital-first approach to service enablement. If not the back-end engine, clients will still want to upgrade their channel interfaces. IT companies which can visualize this future and propose pragmatic digital transformation programs, with potential to deliver significant business impact will, find their audience.

Growth is elusive but we know that it surely comes to those who seek. We have survived multiple disruptions in the past, left behind outdated legacy, and grew even bigger. Relentless pursuit will again lead us to the many islands of opportunities from the ocean of chaos. Let us wake up the phenomenal, indomitable human spirit for we have a job at hand, to move the world forward to a digital future. ■

Can the IT Industry lead the way for a radical redesign of the industrial revolution era business and operations model for a Digital Future?

Share your thoughts by writing to
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ABOUT NIHILENT

Nihilent is a global consulting and services company that uses a human-centered approach for problem solving and business change management. Nihilent's comprehensive range of expertise in consulting, analytics and technology enables our global clientele to achieve newer heights of business performance. We specialize in delivering customized innovation, transformation and optimization business services.

Over the years Nihilent has helped over 750 clients in more than thirty countries and deployed solutions across business functions. We have leveraged our rich engagement experiences and leadership expertise to develop proprietary frameworks and methodologies. These include tools such as MC³™ a patented tool which helps us provide our change management solutions, 14Signals™ a tool which is used for evaluating perception, experience and aspirations of a customer, SightN2™ a framework for digital marketing, and ProlicyD™ our very own 'Digital Product Lifecycle and Development' framework. We believe these frameworks will serve as valuable accelerators for our clients.

We also operate unique and sophisticated interaction-experience labs in select locations around the world. These labs are equipped with state-of-the-art technologies, analytics platforms, models, frameworks and toolkits, managed by inter-disciplinary teams of design thinking experts, visual designers, data scientists, engineers and business consultants. We use our patented design thinking framework and analytical tools to identify cognitive and emotional triggers as well as non-verbal modalities of user experience with the goal of further humanizing the interaction between users and technology. We can proudly claim that the lab today has established itself as the new fertile ground from where we discover, design and deliver leading-edge digital products, services, experiences and other solutions for our clients across different industries.

As a leader in the area of learning, innovation and knowledge management, Nihilent's Enterprise Transformation Practice continues to partner with clients cross the world in successfully translating business strategies into definitive business results and impact.

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Minoo D Dastur, a Chartered Management Consultant with post-graduation in Business Management, is the Co-founder of Nihilent. A distinguished business leader and voice of Indian IT industry, Minoo is an active member of the IEEE, the ACM, the BMA, the CSI, and the ex-Chairman of the Indo-South African Chamber in India.



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