Reshaping & transforming to “new normal”: Insights from why some IT companies succeed “digital” while others got struck

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Introduction

Companies have to continuously evolve whenever markets, technologies, or customer preferences change. Indian IT services companies that had long pursued a simple arbitrage + people-based services had to quickly change their business model to become comprehensive digital businesses. While some pursued piece meal efforts in mobile or analytics, some smarty pants did smart accounting jugglery of showcasing the revenue numbers as digital, some have earnestly preferred to reshape and transform to digital and many have just got struck with slogans. What is unfortunate is that many IT companies that are loaded with best talents, experience, and expertise seem to be struck in the logjam.

Companies like Altimetrix, Saksoft, Mindtree, Tavant, Exdion, and few others have succeeded at the transformation by adopting a simple expertise led strategy that helps deliver higher customer experience. Companies that have embraced and realizing transformation have adopted a modernization of their processes and ecosystem engagements and harnessing the power of intelligence. On the capability front too, these companies have adopted a broad two-legged formula of encouraging learning and fostering responsibility. Their "orchestrated transformation" journey offers key insights on what works is shared below, though not in any particular order of significance.

While there are many micro strategies used by the firms, our objective is not to do an academic exercise of listing down all the items, but major ones that surely made a difference. We hope these inputs would help other capable yet "missing the boat" companies to rediscover their mojo and emerge as more profitable and sustainable businesses by understanding what worked.

Monetize Power of ecosystem

Smart companies realize whether it is in new service offerings, or market reach or innovation, it is futile to invest and experiment with internal resources only. Bounded rationality issues, capability and incentives can hamper emergence of novel solutions. Moreover, companies may have deep domain knowledge in a particular industry, but woefully short on resources on analytics or AI/ML or other emergent tools that limit extensions and innovations. Traditional companies continue to plod innovation with internal resources and biases which lead to time and cost overruns and poor outcomes. Some traditional companies may even attempt creating partner consortia, but lack of sufficient investment in leadership, direction and ownership to drive outcomes.

Many IT companies suffer from core rigidity, of doing things in a time-tested way without making changes to how things must work. Whether it is on the development, marketing, or innovation they expect to realize new outcome without changing anything on the way it is done here. Limited leadership also poses challenge as delivery is also overseen by the architect/SME and as feature development. Database errors, latency and caching issues or others crop up and project management complexity rises with each new feature addition.

Smart IT companies are realizing that they do not have all that is required to pursue novel ideas and products. Companies like Aeris, Exdion, Tavant and others have built a partner ecosystem that works and delivers. Working with technology partners, moonlighting with senior pros or working out an outcome-based project with academia is what works best. This helps companies to keep the cost and risk of experimentation low, enjoy a faster TAT, while IP and control still stays with the company. It is not just other IT companies that are a part of the network, smarter companies also involve large OEMs for both market-making and innovation. Being a part of a larger network increases market reach and also access to marketing $$$ for your branding. Clients are an important element of the ecosystem and smarter companies are using mechanisms like co-labs, where clients spend time with digital, analytics and systems team to co-create solution.

Microservices and entry gate offerings

Traditional IT product and services companies still continue to live in a Ford era. When asked for just a workflow, they would throw a complete enterprise application at client end. This results in unwanted cost and support barriers, which drives away customers.

Altimetrix, Exdion and other companies realize the IT world is moving towards an open system with a limited friction. They offer microservices, fine grained services with light weight protocols which offer modularity advantages to client. Microservices are easier to develop, test and deploy, and importantly easy to make changes. Clients do not have to think of huge CR costs weighing on their heads. Microservices are useful for businesses that do not have any specific hardware platform dependence. Smarter companies realize with tighter IT budgets, clients may be averse to try on radical all-encompassing changes, but more open to localized yet significant value impacting IT investments.

Smarter companies have invested in smaller door opening services including DIY benchmarking, cost optimization templates or platform advisory consulting or a micro bot for an independent workflow. Advantages of these offerings is that smaller IT companies are able to showcase their capabilities, win against large IT behemoths and gain foot hold into large accounts that otherwise would shun their overtures.

Delivery: digitize the core and pivot on platforms.

Companies have pursued automation to reduce dependencies, pivot towards platforms so that commonality of resources and code could be high and wherever possible, productize services. To mitigate Quality, cost and delivery (QCD) challenges, companies have invested in identification of bottlenecks and devise simple systems to improve quality and response. Products are designed for failures and teams own from design to delivery with sufficient depth of SME, architects and IT specialists, sometimes from outside the company. Product development is prepared to handle multiple failure issues, so instead of finger pointing and blame game, plan B is available. Products are designed to run in a degraded functionality without crashing the entire system even when a failure occurs.

Companies have deployed RPA or Bots to automate process with quality and consistency issues, upstream or downstream processes that change or evolve during business cycles or process that need to be faster and more efficient. Companies have automated test management admin, test reports or even test environment validation activities, reducing requirement of resources to man these repetitive jobs.

Deploying these tools help companies in two ways- lower & reliable internal process, and demonstratable capability to win new customer. Companies have moved majority of their workloads to clouds which have resulted in major advantages. Finer integration across units and experience to lift, shift and manage loads to cloud environments. Cloud has also reduced dependencies on key resources, especially at architect level.

Focused Sales and Marketing

Smarter companies realize their acquisition as well as account mining engines, both have to fire smoothly, in both domestic and international markets to grow. Acquisition engine targeted at accounts that could have higher life-life value and Customer acquisitions are led through basic benchmarking or audit type consulting assignments. Marketing developed capability maturity or similar industry frameworks that were used to project domain expertise, create curiosity, and interest in large accounts and shore up as an image of worthy contender against international players. Companies pursued a limited account strategy which helped them dedicate all their focus on few accounts and controlled frittering away of sales efforts. L&T Infotech has created Minecraft program focusing only on top 50 clients, which further will be toned down to 30. Companies have also rejigged their new logo acquisition strategy from not just any new logo to selective few where analytical to digital in each account (ADEA) must be validated. Tail accounts are also pruned to keep the cost of servicing low, transferred from direct sales to inside sales team. What is significant, is the investment in the high-quality pre-sales team setup, which in some cases is as high as 50% of resource addition at onsite.

Some companies create "special purpose vehicles (SPV)" that not only included dedicated teams from the organizations, but also some external partners with complementary services. SPV were led by senior sales professionals who had the complete support of the organization including finance, delivery, pricing, HR and others. In some companies these SPV worked as "company within companies", not just as profit or cost centres, but with complete ownership of all areas of customer acquisition and delivery of promise.

Engagement models like BOOT and BOT were increasingly deployed so that a client could realize a long-term partner that can ideate, design and deliver using a blended delivery model. Smarter companies offer consulting, PMO, process improvements, and transformation all under one roof, even when some part of the solution may be partner enabled.

On the marketing side, smarter companies joined forces with think-tanks, industry journals, large OEMs, international agencies, etc to ride on branding through events and seminars. Credible analyst reports, periodic white papers, and video presentations helped companies reinforce the market positioning. More focused spend on platform events, showcase at Industry events with a booth and cutting down on webinars is what smarter companies are doing.

HR beyond passive business partner

To achieve transformation, smarter companies have moved HR beyond the traditional business partner position and pushed it to the front line. HR department's focus is no more implementing codified policies, but to help build a vibrant and evolving community of practice. Companies that have successfully transitioned have remodelled passive business partner roles to more result-oriented culture role. HR has been consciously chiselling away brick by brick of specialized silos and higher bureaucracies.

The focus of HR has shifted to building lean & loosely coupled organization of deeper generalists. HR have embarked upon building a strong bench of deep generalists who can connect several layers of business and other requirements and meet the customer demands in shorter times. That requires HR to work independently, go out of their way to nurture and access skill sets, engage with resources early on in their vocation, and build institutional mechanisms beyond internships. Agility and out-of-the box thinking may be required from the HR side, exploring all options such as moonshining, interim leadership, flexi-hire and fellowships.

While acquihire is a good option to quickly showcase a team, transaction costs of bonding and sustaining may prove to be costly and ineffective. Companies like Mindtree are therefore investing in partnerships with leading educational institutions that allow them to access high quality resources through multiple mechanisms. Internships, research projects, student projects, consulting assignments and dedicated centre of excellence are mechanisms that could be deployed.

An associated challenge companies face when new teams and leadership are brought in is the disruption to incumbent leadership and sometime founding team members. Smarter companies invest in brainstorming and winning over workshops to address and diffuse any objections that may be perceived to emerge. Turning middle level managers to purpose driven leaders is a key to successful transition. Team reconstruction is the heart of rebuilding the company. Companies have tried various approaches: right from holocracy to simple freshman groups to connect structure, process & reporting to purpose.

A smarter move by many of the successful companies have been the way innovations have been guided to meet the most immediate needs and create ammunition for future. Business units have been encouraged to share areas of immediate improvements (automation, analytics, consulting & solutions) with all teams and R&R programs extensively marketed internally for driving these. Even smaller organizations have encouraged "skunk teams" (teams from different SBU, in some cases consisting of gig actors too) to develop new products or automate a complete package.

Empower people to make and manage decision

Companies that successfully drove digital transformation empower teams running business to take their call without waiting for nod from the management and cut the red tape wherever possible. Decision making rights were classified into three buckets: one where associates were empowered to take a 100% call (with simple rules stating, "if this, go ahead then" types), followed by areas where one could make decisions and keep the management informed later and finally areas where the management was required to make the decisions. What this helped was elimination of unnecessary bureaucracy, faster responsiveness and development of leaders.

Companies wishing to transform can't have a situation where its top management is caught in all the 12 yards of the business. Smarter management learn to eject themselves out of day to day delivery, technology solution development, account management and team management. Smarter management invest in de-bottlenecking execution and decision making. Direction changing actions require people to take a call and sometimes failures can happen. Smart companies bust the fear out of taking decisions and define clear rules to play on pricing and delivery.

Smarter companies break down the complexity to successfully manage existing business and new digital operations, divide their operations and organization. With this, the company gains better focus on revenue streams of now and future equally, and higher visibility for management on the risk side of the business. Because of this dedicated focus, exiting business units sharpened their offerings, improved delivery, and responsiveness. Each unit operated as a separate P/L owner with complete responsibility for discovery, sales and delivery.

Conclusion

In sum, we find that successful companies had a clear expertise-led strategy, strong focus on growth, augmentation of sales, and above all, used the opportunity to unleash untapped human resources potential. Having a clear digital priority and how investing in these would help them emerge as anchor partner helped them get their priorities right. It is not that successful ones had no failures or challenges. Some companies found the newly minted leadership "flake" and incapable. They faced the ugly task, cut the losses, and reaffirmed themselves with new resources and approaches.

Customer experience has been the key driver of all the change and we deliberately left this detailing out for it is obvious. Transformations are possible only when companies can encourage interest, ignite curiosity, and foster ownership at all levels. Leadership in many companies becomes the bottleneck and cutting the dependency of key resources, especially pre-sales and delivery is the key to scaling up. What we observed, is that automation will not eliminate work, it just transforms it, and even creates new work. Companies transforming must therefore plan ahead. Finally, reshaping into a newer entity requires sufficient investments & efforts into evaluation (current state), aspiration (what to achieve), creation (interventions that will drive outcomes) and transition. Towards realizing the goals companies may have to change the people, leadership must know when to intervene and delegate and accelerate when needed. Transition does not happen as a straight line. In some companies, the first year was disaster, EBITA was significantly affected. If these challenges knock out commitment, investment and support to reshaping, then the company is likely to join the ranks of also-rans. Remember reshaping and transition is more than a

program, it is a marathon. Respect the long run and prepare well for it.

Additional Reading.

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