From Technology Solutions to Business Solutions

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TEAM: *COMMON-SENSE*				
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Executive Summary

Not too long ago, IBM provided hardware solutions. Not too long ago, IBM provided software solutions.

Not too long ago, in 1993, IBM was on its deathbed!

What happened to this IT industry lighthouse reflects the changing dynamics of the industry. The very fact that the best-known name in the industry all but perished for being erroneous in focus, begs further analysis.

After all, where had IBM gone wrong? IBM was synonymous with technology. So, what was 'erroneous' in providing technology solutions? The businesses wanted 'technology solutions', didn't they?

That is precisely where the behemoth erred. Misreading the changing expectations of the business can be suicidal in any industry, leave alone a dynamic arena like IT. *Businesses have evolved from looking at IT as an 'Easer of Tediousness' to a 'Business Transformation Tool'. Therefore, they no longer wanted the odd technology solution to de-congest a process here and there. Businesses wanted their businesses to make the next leap and wanted companies like IBM to help them in that endeavor. Technology was only incidental, as a mere tool towards the end goal, and not the goal itself. IBM could not recognize this market shift.*

IBM survived by exhibiting courage of leadership. It acknowledged and rectified the strategic error. They re-engineered their organizational processes and re-branded themselves as an *'On Demand Business'* provider. They harnessed their technological expertise to turn businesses market-agile.

In the present day, IBM itself has itself turned into a successful 'On Demand Business'. It has realized its true value to potential clientele.

The highlighted case should serve as a wake-up call for other IT players. It's time that they take a leaf out of the leader's book. *Mere providing technology solutions will fetter them to the lower rungs of the IT value chain. With the emergence of various 'me too' players providing the same cost and deployment benefits, differentiation has become a major strategic challenge.* Scaling the value chain will have to be through an offering of business solutions. And, *since every business is different, the business solutions space automatically calls for specialty differentiation in terms of ideation capability and experience.* IT firms will have to decide if they want to play the low value-high volume game by concentrating on technology or graduate to a higher value proposition.

Craving for growth through business transformation is perhaps the only 'constant need' for businesses. This opens up huge unexplored opportunities for IT firms. But it's not easy. *One must strengthen one's own competencies to be able to transform others.* For many low-end firms this translates into making the shift from technical prowess to business consulting prowess. *Strategic consulting could thereby lead to technology consulting leveraging on technology solution implementation capabilities to maximize revenue streams.* Trends seem to predict a future for service providers who can provide integrated end-to-end business and technology services. This is easier said than done in the face of well-entrenched competition. But it is a game anyways and the best player will win. Let the game begin!

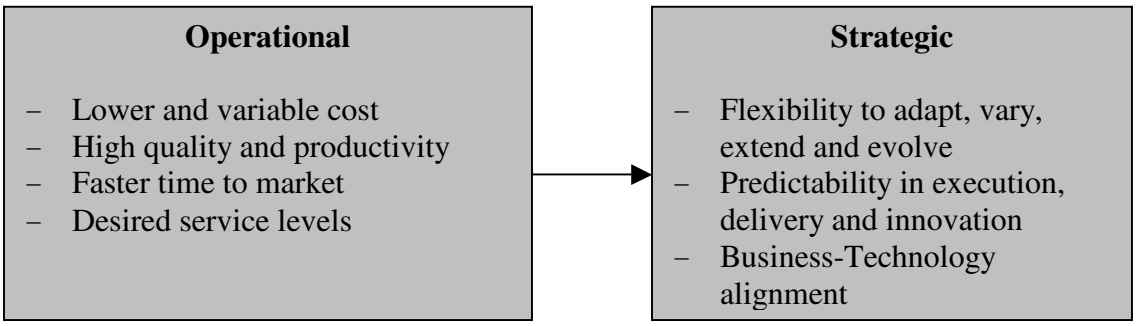
Future Competitive Edge for IT Service Providers – What do Enterprise Clients expect?

Enterprises always expect solutions that will help them improve their business and grow. Presently, most IT firms fulfill mere technology needs of enterprises by supplying hardware, software or even technology consultancy. They compete on cost and deployment efficiencies. But, in future, these factors will turn into Points of Parity and will be taken for granted by enterprise clients. Competitive edge and differentiator will rest with IT firms who establish themselves as end-to-end value-chain players. This means positioning themselves as partners who can transform the enterprise's business through imaginative business solutions, which may involve the aide of technology.

Pressured to deliver short-term quarter-to-quarter results, today's businesses are driven to manage operational efficiencies, making it a challenge to maintain strategic and innovation focus in today's global economy. To be world-class competitors in this environment, enterprises need to deliver breakthrough results by combining business alignment with continual operational efficiency. Customers are demanding more from businesses. Competition is increasing in intensity as new players and business models emerge. Product life cycles are growing shorter and managing across global boundaries is becoming more complex. These and other factors are increasing pressure on operating margins, which in turn is forcing enterprises to try to become more agile and innovative to maintain competitiveness and profitability.

To meet these challenges, enterprises are looking to align business with technology to speed decision-making, integrate processes, share knowledge, and collaborate across internal and external boundaries. Static processes are being made more flexible to allow for faster responses to changing business realities. The availability and application of resources and skills are being made more predictable in terms of execution, timeliness, and quality to enable innovation. At the same time, productivity and cost management is continuously being maintained and enhanced.

Mature businesses are thinking even beyond. Their outlook is evolving from a narrow operational consideration to a much broader strategic viewpoint. Diagrammatically it could be represented as:



For businesses to transform themselves into market-agile organizations, they need to be freed up from the operational chores. This is where the IT companies fill the need gap. But most IT firms undervalue their role by providing stopgap independent technology applications, which merely result in operational efficiency.

Admittedly, the technology solution space is a high volume space. To rule this space, firms need to be completely focused on nimble state-of-the-art R&D. This is costly and time consuming. *The value proposition is also low as it completely misses out on impacting the strategic elements of a business. After all, operational efficiencies are desired, but strategic mobility is critical for a business. Thus IT firms that do not realize this business reality remain doomed to play a 'fringe role' for the enterprise.* By not impacting core areas of businesses, either directly or indirectly, they undermine their own business value. This is a strategic error on their part.

Instead IT companies should place themselves such that they are in a position to relieve the businesses from ownership of their non-core dealings. At the same time, IT firms should mobilize all their energies in devising innovative solutions to benefit the business's core activity. This can happen only with thorough knowledge of the 'business of business', business processes and competent delivery of integrated end-to-end solutions that are tailored to the processes. Technology plays the role of a mere enabler, really. Therefore, essentially a change of mindset is warranted.

Marketing Business Solutions to Enterprises

Enterprises expecting business solutions - is one story. Turning this expectation into demand is quite another. Most enterprises may not even be aware of the impact that partnership with IT companies can have on their business. Sometimes, even though enterprises might be aware of the possibilities, any suggestion to change is resisted. Therefore, no business gains result for the IT firm. High quality marketing effort is therefore needed to convince potential customers.
Let's consider an imaginary IT company making a case for providing business solutions to an enterprise that's wary.

Business Solutions Provider: It used to be easy. Big companies stayed big, small companies struggled to succeed and business models were written in stone.

But all that's changed. Today's business success story is old news by tomorrow's papers. Today's small player is just one good idea away from next season's big score. And business "turnarounds" that saved companies in the past require the kind of time, effort and expense that can easily undermine consumer loyalty and investor confidence.

This isn't bad news. Greater change means greater opportunity. But to take advantage of it, enterprises need to change their business model. In fact, they'll need to build change into their business model, to create an organization flexible and resilient enough to reinvent itself continuously as it works to seize opportunities and dodge obstacles. Because in the present era, companies succeed only as long as they can transform themselves—quickly, consistently and with the bare minimum of layoffs, write-offs and uncertainty.

Flexible business models are at the heart of this new, resilient organization. They allow companies to seize new opportunities and dodge incoming threats with minimal trauma to employees, stockholders and business partners. A truly resilient business is one that changes continually, to keep ahead of the change all around it. It habitually looks to the

future rather than falling back on the past. It is ready to compete in a world driven by demand.

Enterprise: Why change the way I do business?

Business Solutions Provider: That's because everything around the business is changing. The list of things that are changing, is also changing. The constant that one takes for granted today—that supplier, that foreign government, that pricing structure—might be gone tomorrow. That means that flexibility has to be built into an enterprise's business processes.

Found a cheaper supplier? Move quickly enough and you can cut your own prices. Government upheaval? Get into a new market. Prices jumping? You need to cover your costs now.

These are not just corrections to a spreadsheet or a contract. These involve fundamental transformations to the way your business operates. You need to build change into every facet of your operations, so reinvention becomes the daily work of your company.

It's not an easy task. But it means the difference between staying in control and getting overwhelmed by a fast-moving world. *Manual processes, inflexible organization and sacred-cow-based strategies will forever impair a company's competitiveness.* But a business that changes gracefully will avoid a world of trauma. Through disasters, disruptions and economic downturns, it will continue serving its customers, delivering value to stockholders and holding on to valued employees.

The kind of deep, ongoing transformation we're talking about would have been unthinkable, if not impossible, just a few years ago. But new technologies are making it possible. And today's business world has made it not only thinkable, but also imperative.

Enterprise: Strategic aligning of technology and business solutions for business transformation can help me solve what type of challenges?

Business Solutions Provider:

- ✓ *Consumers are growing more demanding.* They want what they want, when they want it, in the color they want it. They want to change their minds frequently and return things painlessly. They want flawless customer service. And if they don't get it, they'll go to the competition

- ✓ *Profits matter more than ever.* In the short run and the long run. Costs may be rising, demand may be shrinking—but your shareholders, your board and the entire industry are watching your bottom line. And they're not listening to excuses

- ✓ *Productivity is growing.* New technologies and business practices make it possible for you to multiply the value of your employee's work and your company's assets. From online meeting rooms to outsourcing, the benefits are out there, if you know how to take advantage of them

- ✓ *Threats are unpredictable.* You can't know what's coming next. But you can prepare for it—by making your company resilient enough to keep working through the shocks

Business Solutions for Business Transformation

Let us look at a few illustrations where IT firms have provided business solutions to the enterprise and implemented them through technology solutions.

a) National Geographic

- *The Business:* Astounding view of the Natural World

- *The Business Problem:* Lack of Customer Service and Operational Productivity Focus

- *The Business Solution:* An Online Digital Media Library. Customers can now locate and copy digital files of scanned images in real-time. For example, a recent project entailed a museum looking to purchase over 2,000 images. Before the digital library, the project would have taken three people over a month to complete. Post Digital Library implementation, one person working part-time for a day and a half could retrieve those images. For National Geographic customers, this means better service. For National Geographic, it eliminates almost all re-scans and provides storage for thousands of valuable images that can be retrieved quickly and at a reduced cost, generating extra revenue that can then be re-invested back into their technology

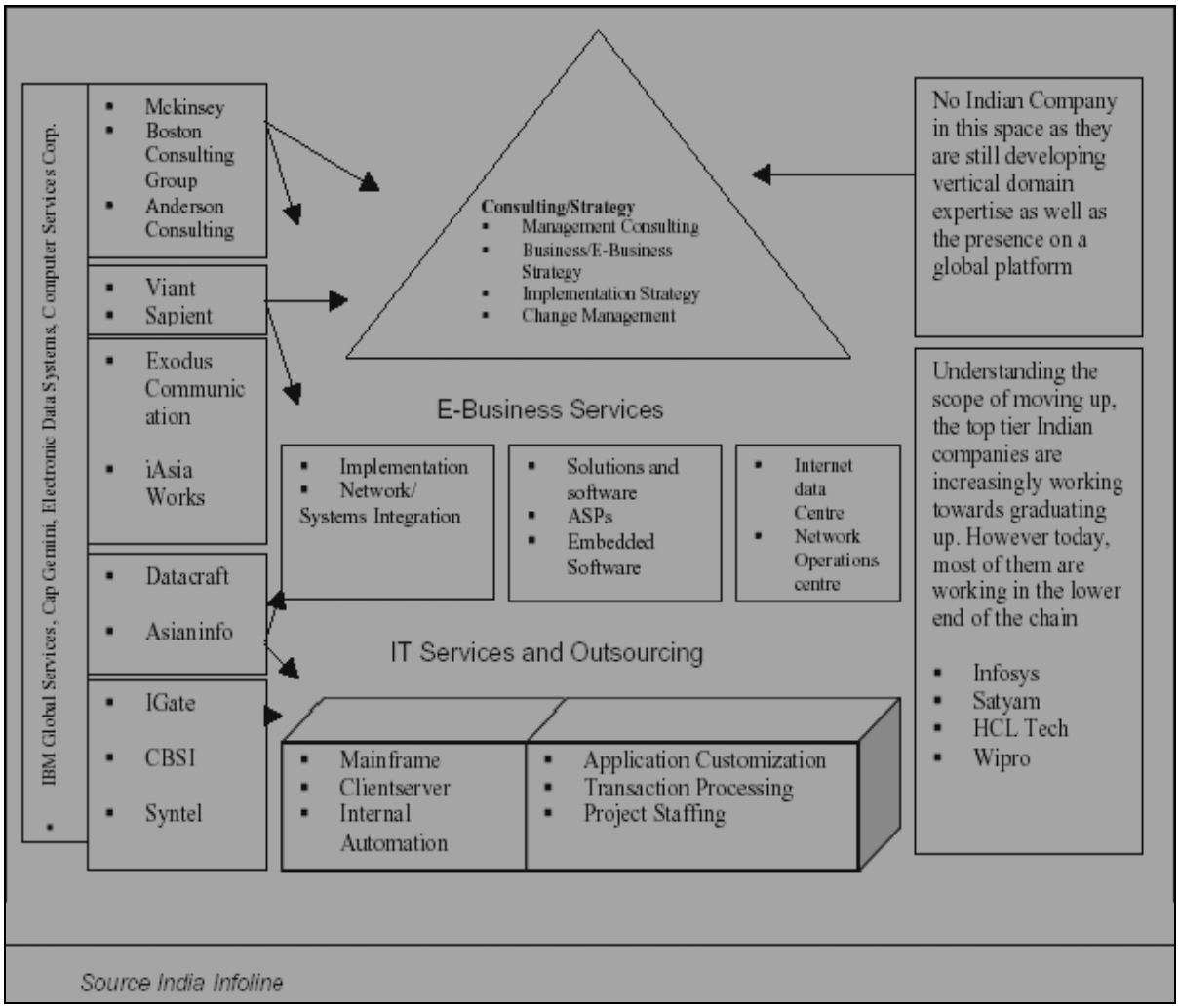
b) PGA Tour

- *The Business:* Bringing golf to fans world-wide

- *The Business Problem:* Complexity in providing responsive multimedia experience to fans

- *The Business Solution:* Providing golf fanatics with detailed information on over 110 yearly events, featuring some 600 players is no small task. By partnering with an IT service provider, they teed up three new systems to transform the action into an exciting, responsive multimedia experience. The system provides real-time scoring and improves the speed, accuracy and breadth of tournament scoring data collection. It also enables golf fans to follow tournament action for every player, hole and shot at PGATOUR.com. Also installed is an intranet system that provides real-time results to produce statistics and graphics used for broadcasters, media and on-site spectators. Now, online golf fans all over the world can get closer to the sport they love

The Solutions' Value Chain – Relative Player Positioning, Challenges

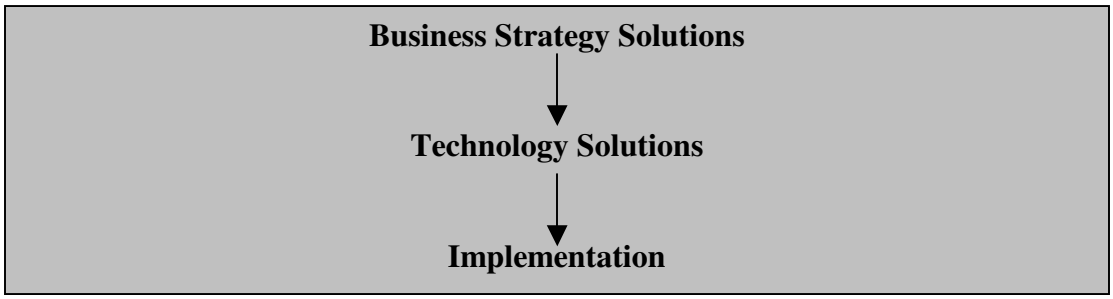


As is evident from the graphic above, most Indian IT service providers are presently catering to the low end of the value-chain. Firms like Infosys, Tata Consultancy Services and Wipro are making concerted efforts to move up. Infosys has hived off a consulting unit, the objective of which is to make inroads into the Strategy Consulting Space. Obviously, to utilize implementation-based competencies, the parent company has incentivised 'offshore push' of technology-based work.

But it is difficult, especially since the industry is infested with well-entrenched behemoths.

The challenges in moving from technology solutions to business solutions are:

- Poor visibility when a low-end provider wants to turn a strategy consultant
- Fierce competition in the strategy consulting space from well-entrenched players
- Business Strategy Competency and Experience on a global scale is thin in the low end providers
- Business Consulting space is relationship-based. Entry Barrier is extremely high in terms of client-trust
- Building Intellectual Capital through extensive Business Research Focus
- Massive IT industry Attrition
- The 'offshore' stamp may prove negative for high-end strategy consultation. Presently 'offshore' stamp associated strongly with low cost but not necessarily 'cutting edge quality'
- Physical distance from the real markets. In high end strategy consultation, enterprises must experience comfort in knowing that the consultant too inhales in the same business environment to understand the problem better
- Culture differences. With emerging markets in Europe and Asia Pacific, lack of familiarity with these markets may nudge out players
- 'Pushing work down' if not successful, may result in volume loss



- Tough to match established end-to-end service providers like IBM. They use their consulting wing to devise business solutions. That is converted to technology solutions – the hardware and software for which is also provided by IBM. Implementation/Integration is also done by IBM, which has now adopted the

successful Global Delivery Model of the Indian firms. They have also integrated BPO units as a part of their portfolio to relieve the clients completely of non-core issues

- The challenge is to match and better the players on their own turf by finding and executing better business solutions for the enterprises
- Marketing newer paradigms and business efficiency models to enterprises require high credibility
- Having said that, maintaining control over technology solutions space is also tough
- Technology Solution space focus requires high R&D investments and time
- Technology Solution space is ridden by ‘me too’ competition, lack of differentiation and high margin-pressures

The Road Ahead: From Technology Solutions to Business Solutions – From Competitive Edge to Sustained Growth Enabler

"In every industry, the reason growth is threatened, slowed or stopped is not because the market is saturated. It is because there has been a failure of management. And, the failure is often at the top. Every industry must see itself as a customer-satisfying process and not a goods-producing process."

- Theodore Levitt, Marketing Myopia

The 'Customer-Satisfying Process' is continuous and dynamic in its basic character. The *IT service providers must understand that they are as much governed by the above doctrine as their customers are.* Enterprises will need market agility to be nimble-footed towards changing consumer needs. Similarly, IT service providers should themselves be nimble-footed and provide enterprises with business solutions and fill the gap. That is the future growth vehicle.

Clearly, IT service providers have a decision to make. They must either recognize the business they are in as 'Enterprise Transformation' or take a narrow point of view and think they are into the 'Technology Solutions Business'. The former option will enable them to align themselves more strategically to their clientele. Customer orientation is the key here to identify the huge opportunity.

On the other hand the latter option, though might attract volumes in the short run, is a sure method to miss the growth bus. This would be a parallel to the strategic error committed by US Railroads. It assumed itself to be in the railroad business rather than in the transportation business. In no time was it completely run-over by cars, trucks and airplanes and customers were snatched away.

IT service providers must shore up competencies to help transform business enterprises. If enterprises, with aide of technology, can stay focused on their business, sense and respond to the future, take quick decisions, adapt to market volatility and innovate

effectively, the service providers will grow too. No wonder there's a buzz these days around emerging concepts like *Organic IT, Service Oriented Architecture and Technology Enabled Shared Service Centers*, which are essentially business solutions.

The journey from technology solutions to business solutions demands overcoming of various challenges. But it is more or less inevitable for those who do not want to languish at the bottom of the value ladder. In that perspective, it is only fair that IT service providers stand up to the challenge by transforming themselves before they can graduate to transforming their customers.

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