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New Age SI: A Seismic Shift from ‘Technology Services’ to ‘Services as a Technology’

Enterprise of the Future will be “Data-focused. Insights-aligned. Experimentation-friendly. Purpose-driven.”. In many ways, the working of this enterprise will emulate the human mind, body, and soul. The future enterprise needs to be highly aware and responsive to its surroundings, empathetic to understand stakeholders, agile in its decisions and must consider human values.

Categories

- AI Innovations
- Brand Identity
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- Ethical AI
- SaaS Solutions

The Conundrum

For centuries businesses have evolved by working mainly with human capabilities supported by machines and technologies. Yet, many stakeholders are struggling to create a holistic balance between performance and purpose. This challenge stems from a lack of human-centered solutions, a responsible technology ecosystem, and sustainable tech-led business models. The gaps are acting as an impediment to faster business acceleration, driving a performance-driven culture, and creating a purpose-led organization.

The Gap

If you look at the golden era of the IT services industry, led by India Inc. and outside of India, the predominant business model is cost-arbitrage leveraging a huge talent pool. IT services companies from India leveraged this talent pool to take over large IT operations, delivering them at significantly lower costs without disruption. A few incremental tweaks like standardization, industrialization, offshorization, IT, and business process automation have been used to fine-tune the business model. But essentially, it continued to be a talent/manpower-driven industry. This led to a huge amount of debt in the ecosystem – technology debt, process debt, talent debt- at both ends of Service Consumer and Service Provider. This means changing old habits. It also means changes in the fundamental principles of the business model of Technology Service providers.

A host of erstwhile pathbreaking businesses failed to innovate with the times and were too late to play catch-up games. The continued cycle of providing manpower-based services will yield tepid innovation and, hence, growth. Cost savings and investments in AI initiatives will continuously

shrink the margins, reducing their appeal to the talent pool. It will end up being a negative recursive loop of 'lack of differentiator-commoditization-cost pressure-lack of talent attractiveness'. The manpower-based arbitrage model is fighting for its attractiveness, and most importantly sustainability.

The Perspective

Amidst this business outlook, in the last few years, enterprises have put a higher emphasis on driving agility and business acceleration powered by technology. Cloud-native SaaS platforms have revolutionized how enterprises have been able to respond, and in some cases, create market demands as well. With the advent of AI and GenAI, I saw an opportunity to turbocharge each of these aspects of agility, and acceleration, and augment it with human acumen to create contextualized solutions – build industry use-cases, on industry SaaS stack powered by AI & GenAI.

Therefore, I believe the future of IT services will not be solely about services but rather about services delivered on an IP or platform enabling extreme automation. The future of IT services will not be provided by organizations offering a wide range of services facilitated by talents but will consist of specialized services delivered by talent made smarter with technology. The traditional business model of the IT services industry is at the cusp of disruption. We aim to challenge the status quo of the technology services industry by delivering 'value' against 'volume and manpower,' 'services-as-a-product' instead of 'economic services,' and 'business as a service' against 'servicing a business.'

The Future

Harvard University Prof. Theodore Levitt once famously said, “People don’t want to buy a quarter-inch drill. They want a quarter-inch hole!”

Acceleration

Every industry is going through massive shifts – shifts in how products and services are taken to customers in an engaging and empathetic way. Shifts in how business operations are run in a near-zero-touch manner, and shifts in how technologies are leveraged to create tech-enabled business models. Technology is enabling enterprises to adopt business models that make collaborators, competitors, and consumers co-creators to expand the pie of business from a Product-centric model to a Product+Service centric model. The use of hyper-automation and Generative AI is making UI-driven processes obsolete, and enabling enterprise processes such as Supply Chain, Finance, and HR operations to be zero-touch. The cost of R&D, the emergence of neo-consumers, and competition from new techs (FinTech, HealthTech, etc.) across various industries are compelling companies to relook at their business model, operations, and technology landscape. **It is critical to align your technology services closer to business priorities and accelerate your business evolution.**

Agility

On the supply side, digital technologies will drive $650-700bn spending in the current decade. While there are many hotspots, the two prime disruptions that are happening around us are Artificial Intelligence and Low-Code-No-Code driven SaaS ERP platforms. AI/ GenAI is more real than ever driving hyper-automation in technology and business operations. According to IDC research, GenAI

will disrupt ~54% of operations in the services industry, including IT & BPS services. SaaS-led enablement of enterprise operations, customer service, and business processes will open newer avenues of tech-led business operations, a market growing at a CAGR of ~20%. **Leverage technologies that bring enterprises agility and allow products and services to be launched faster.**

Acumen

Standing at the cusp of changing market dynamics and technology evolution, enterprises will need a technology partner who demonstrates agility to adopt new technologies, delivers swift tech implementation because of the adoption of AI/GenAI, and most importantly, is empathetic toward client's strategic objectives while designing the solutions. The shift from Talent to Technology doesn't take away the need for human acumen. It *necessitates experts* who can guide their clients along to help them change with the help of technology. Human acumen will be needed to steer the client through the fast-moving technology ecosystems and work with them to create business roadmaps based on AI, GenAI, and emerging tech to make them nimble, smart, and more efficient. **A new-age technology partner is expected to bring in the right balance of advisory, technology acumen, domain expertise, and an ability to constantly use new-age technologies for their evolution.**

The business model of the traditional IT services industry operates on the principles of manpower-dependent high-volume growth. As we see it, it's counterintuitive for legacy SIs to cannibalize their existing business and stress the need for AI and automation in the IT services landscape. On the contrary, clients' focus is to reduce the cost of operations through Cognitive Automation, both in Business

and IT operations. We are differentiating ourselves by leveraging the natural conflict of the business model between the Service Consumer and the Service Provider. The differentiation of a New-Age SI lies in faster implementation of technology leveraging AI, and faster transformation of business functions through AI-powered Industrial SaaS use-cases. In both cases, it should act as a catalyst for Speed and Agility for our clients. The New-Age SI is expected to be an antithesis of what the norm of the traditional IT services industry is – volume and manpower.

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