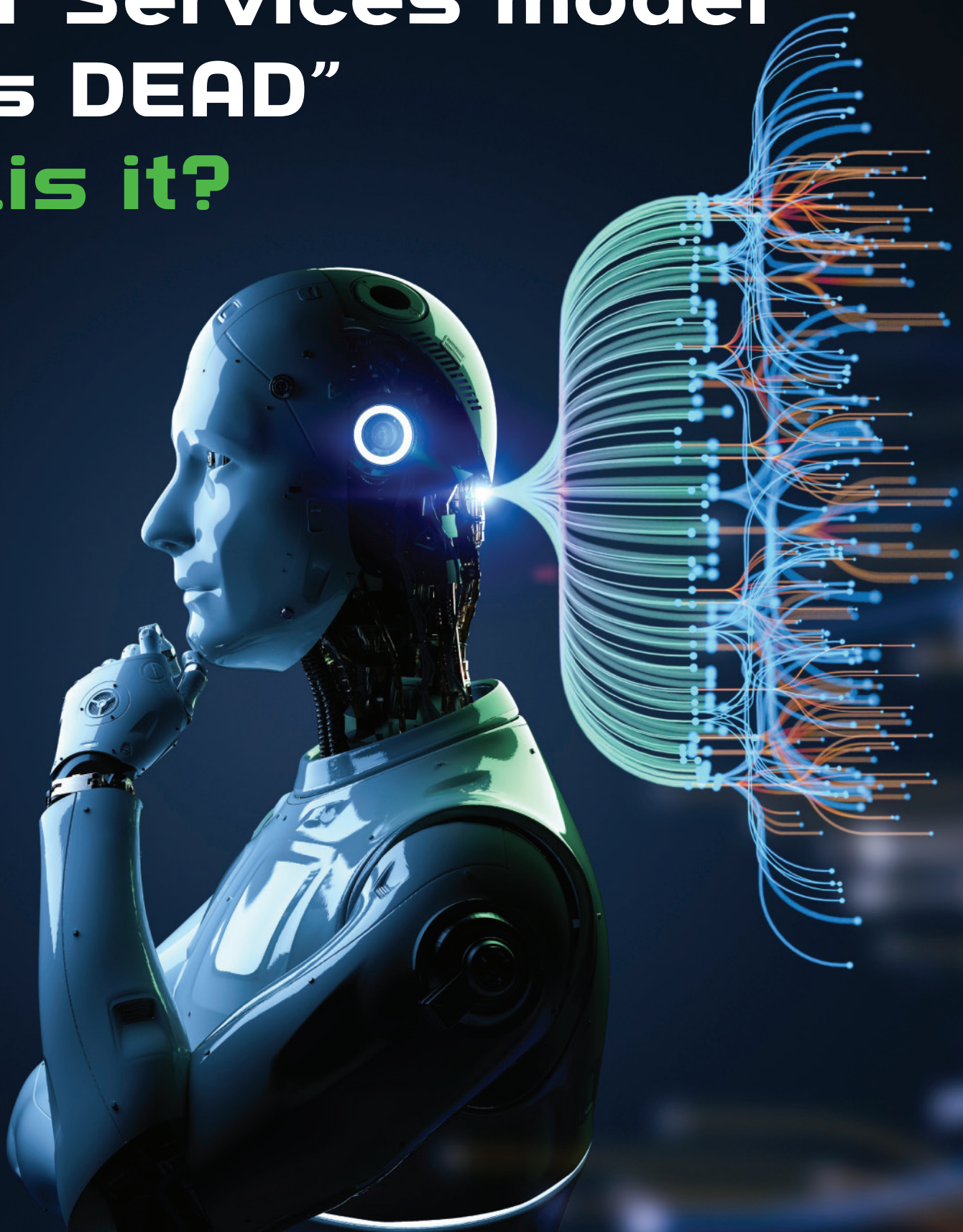
humanize

“Traditional IT Services model is DEAD”

...is it?



“Traditional IT Services model is DEAD”...is it?

In our last publication “Dawn of Generative Enterprise – a CXO Co-pilot”, we discovered the capabilities of enterprises of the future and how AI is going to reshape the way enterprises operate.

Let us explore the strategy, technology, and operating model changes required to create a Generative Enterprise.



Strategy: Evolution in ‘Tech-Leader’ Archetype

In recent times, the role of Technology Leaders has significantly evolved from a camouflaged technical position to a highly mission-critical component of the C-suite. Then, out of nowhere, the pandemic kicked in! With that arrived the overdrive of business transformation. IT sits at the heart of every business function, irrespective of a company's sector, mission, or size. Suddenly, tech leaders found themselves in uncharted territory, balancing the demands of growing the business against the traditional role of supporting it. Perplexed, confused, and helpless, they were tasked with driving an extraordinary evolutionary business shift through technology. The role of leaders has been successively changing over time, starting from its early incarnation in the 1980s to 2010.

Let's look at the evolution of Tech-leaders over time



#1: Tech-Leader as an "Incubator" in the 1980s

In the late 1970s, after the launch of the first home computer by Apple, IBM introduced its first MS-DOS-based personal computer in the 1980s. During the same era, Microsoft launched Windows 1.0, and technology began driving mainstream awareness. A Tech Leader, as a "technology incubator," was responsible for introducing technology to organizations throughout this decade. Their role focused on establishing and managing the IT departments of organizations. The key impacts revolved around ensuring the availability of IT systems to support business operations.

#2: Tech-Leader as an "Integrator" in the 90s-2000s

In the 1990s and 2000s, the web-oriented era emerged, marked by a rise in the use of global ERP (Enterprise Resource Planning) systems and social information platforms within organizations. Popular social media platforms such as Facebook, LinkedIn, and Twitter were developed during this time. Economic events, such as the introduction of the Euro currency, which impacted entire nations, further emphasized the need for organizations to maintain an integrated flow of business operations. The Tech Leader, as a "technology integrator," became increasingly focused on unifying various business solutions across the organization. As a key member of the executive team, they worked to enhance the effectiveness of technology use and build synergies within organizations.

#3: Tech-Leader as a "Architect" post 2010

The decade of the 2010s can be referred to as the "cloud-based era," with cloud computing marking the next phase of IT evolution. A plethora of systems, including SaaS platforms, emerged, forcing IT to build capabilities around integration, monitoring, and orchestration across teams, all while maintaining a constant focus on cost control. The widespread adoption of digital technologies (SMACI – Social, Mobility, Analytics, Cloud, IoT) and the rise of neo-techs

(Blockchain, Metaverse, AI, Quantum, etc.) kept Tech Leaders engaged in creating small POCs. Despite these advancements, they continually struggled to align technology with business outcomes and to justify the value of tech investments through measurable ROI.

Technology: Exploring the Role of AI & Deep-Tech

Business evolution demands the seamless orchestration of technology and talent, powered by AI. Yet, for many enterprises, the tech landscape remains inflexible, slow, difficult to manage, and costly. Tech leaders often find themselves grappling with new technologies that either fail to scale beyond the proof-of-concept phase or struggle to integrate into core legacy systems and business environments. This challenge is particularly evident with advanced technologies like AI and GenAI, where enterprises frequently find themselves trapped in a "POC graveyard."

According to Gartner, "At least 30% of generative AI projects will be abandoned after proof of concept by the end of 2025." For leaders aspiring to build a Generative Enterprise, a well-balanced approach is imperative. They must transform core capabilities while addressing service maintenance, legacy applications, regulatory obligations, and the broader processes and organizational changes required.

As they navigate this transformation journey, leaders must step back and assess their enterprise's delivery capabilities across key dimensions: processes (methodologies, governance, compliance), people (empowerment, skills, enablement), and tools and technologies. Crucially, they must determine how these elements will be orchestrated and delivered through software augmented by human intelligence.





Operating Model: Draught of innovation

Since its inception, the IT services industry has largely revolved around a 'cost arbitrage' model, heavily reliant on manpower. For the past 40 years, the industry has seen multiple iterations of cost-control strategies—near-shoring, offshoring, pyramid corrections, operational efficiencies, standard operating processes, knowledge management, vendor and operations consolidation, and continuous cost-reduction initiatives. It was more of a 'continuous effort of optimization' than a 'relentless pursuit of excellence.'

COVID-19 disrupted the long-held belief in location dependency for operational efficiency. Enterprises discovered the potential of India's talent pool and began establishing Global Capability Centers. Simultaneously, advancements in technology introduced automation, reducing application development costs through plug-and-play software. This shift weakened the traditional cost-arbitrage proposition of IT services, making the industry's dependence on manpower appear increasingly unsustainable.

However, breaking away from the deeply ingrained cost-arbitrage and manpower-centric model is no small feat. The industry's foundation rests on 'value per resource' rather than 'value for problem-solving.' To adapt, the IT services sector must rethink its core revenue principles. This means moving beyond 'billing per talent,' embracing technology-driven service delivery, and redefining value propositions from 'tasks performed' to 'value delivered.'

Will that be easy to implement?
We will explore options in the next series.
Would love to hear your views.