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# What's slower – your tech evolution or your business evolution?

## A blueprint to address the CXO conundrum



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## A blueprint to address the CXO conundrum

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— Pearl Zhu, 12 CIO Personas: The Digital CIO's Situational Leadership Practices.

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Ever wondered about the story of a business transformation spanning over 100 years? A company that delivers entertainment to consumers consistently for years? Sony, one of the top 10 electronics companies in the world, is a living example of technology-led business evolution. From its early days of producing rice cookers to becoming a trusted brand for a wide range of premium consumer electronics, the question remains: What exactly fueled Sony's exponential success?

Sony's ability to adapt to digital disruption and its unique approach to strategy has been key to its growth over the past four decades. Instead of directly competing with major music companies, Sony focused on becoming the most artist- and songwriter-friendly music company. By offering a digital platform that allows artists to track their earnings from streaming platforms in near real-time, Sony has built strong relationships with artists and positioned itself as a vital industry partner.

What do you think were the key enablers of Sony's transformation? Customer-centric products and services? The launch of new business models? Are technological changes driving it all? And, perhaps most importantly, the speed of technological transformation that allowed for faster time-to-market?

Let's take a step back and try to understand the situation a little more.





# What is impacting the business world?

## Business Shift

Today, we live in a world of unparalleled opportunity. FinTechs are bringing consumerism in Banking and Wealth. Retail practices such as rewards and loyalties are adopted by the insurance industry. Telcos are making more money by selling lifestyle services on the back of the network and bandwidth. With the change in environment and consumer behavior, products & services offered by organizations are changing.

## Technology Shift

The emergence of Cloud, Analytics, SaaS, Low-Code/ No-Code, and other neo-techs is enabling greater innovation. On top of that AI/ GenAI is redefining the technology landscape and the way it is delivered. Needless to say, AI is redefining the way every industry is going to operate in the future. According to McKinsey, by 2024, more than 50 percent of user touches will be augmented by AI-driven speech, written word, or computer-vision algorithms, while global data creation is projected to grow to more than 180 zettabytes by 2025, up from 64.2 zettabytes in 2020.

## Behavioral Shift

Customer and Investor behavior is changing. Both are looking at Purpose beyond profits to determine their association, whether for buying products and services or for investing in a portfolio to fuel growth.

Technology is taking the front seat to enable business model change, launch new products and services, and re-imagine ways of doing business, which was not possible earlier. AI will reshape the way enterprises of the future will operate.




## If there's a personification of a technology-led enterprise, what will it look like?

Let us introduce the future of the enterprises, what we call a 'Generative enterprise'. It is our guiding definition of the aspirational end state for the enterprise of the AI era. Generative Enterprise is the idea that future enterprises, by design, should be able to demonstrate a higher order of sense-making and action aligned to its purpose than a traditional enterprise. It will be highly aware and responsive to its surroundings, empathetic in its understandings, autonomous and agile in its actions – "Data focused. Insights aligned. Experimentation friendly. Purpose-driven.". In many ways, the working of this Generative enterprise will emulate the human mind, body, and soul.

Their goal will be to reinvent over time every part of their companies, centered around a digital core and new ways of working that establish a culture and capability for continuous innovation. In doing so, they'll create a new performance frontier for their accelerated growth, the ability to achieve continuous breakthrough innovation, higher resilience in the face of any disruption, and an enhanced ability to create value for all stakeholders. It will be a self-learning, self-healing organization, driven by data & insights, powered by AI/ GenAI, and demonstrating human-centered experiences, with a culture of nurturing a bigger purpose towards people, the planet, and the environment.

Generative enterprise will be an assembly of microcosms of software-driven enterprise functions. The core will be built on SaaS/ Low-code/ No-Code applications, and the orchestration and intelligence will be driven by AI/ GenAI.

The biggest challenge lies in the gap between 'what's needed' and 'what's available' to meet the changing dynamics of the technology world.

CXOs are struggling to maintain a balance of 'continuous motion' and 'continuous innovation'. They are looking for IT service providers to enable a balance of both. If you look at the golden era of the IT services industry led by both India Inc., and globally, the predominant business model is cost-arbitrage leveraging a huge pool of talent. IT services companies of Indian heritage took advantage of that pool and started talking over large real-estate IT operations and delivered it at a much cheaper cost, without any 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, and talent debt- at both the service consumer and service provider levels. This means changing old habits. It also means changes in the fundamental principles of the business model of Technology Service providers. The eventuality is to face the scenario of Kodak, Nokia, Yahoo, Xerox, etc., which simply failed to innovate with the times and were too late to play the catch-up game. 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 and hence attractiveness to the talent pool. It will end up being a negative recursive loop of a lack of differentiator-commoditization-cost pressure- lack of talent attractiveness. The manpower-based arbitrage model is fighting for its attractiveness, and most importantly sustenance.

The questions in front of us are,

- How to evolve constantly and create tech-led business evolution?
- How to break the age-old practices of the IT services model and infuse agility, acceleration, and improved human acumen in your technology practices?
- How to enable faster time-to-market of businesses powered by technology ecosystem?




In the next edition of this Whitepaper, we are going to define Generative Enterprise and how Deep-tech and AI will play a critical role in creating one.

**Would love to hear your perspective.**