

# LEVERAGING IT-BPO CONVERGENCE FOR ENTERPRISE DIGITAL TRANSFORMATION

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## HOW CAN COMPANIES REINVENT THEIR PARTNERSHIPS WITH SERVICE PROVIDERS FOR EFFECTIVE COLLABORATION AND CO-INNOVATION, LEADING TO DIGITAL TRANSFORMATION?

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Caught between a swirling maelstrom of technological innovation, emerging digital competitors and rapid changes in customer dynamics, the enterprise landscape today is undergoing an unprecedented shift. Change is the only constant, with business value chains, operating models, and customer expectations in a state of flux. A confluence of disruptive, interrelated digital pre-requisites such as Automation, AI, Predictive Analytics, IoT, and Blockchain is presenting unique opportunities for enterprises to thrive in this digital age.

To stay relevant in this fast-paced business environment, companies big and small will have to reimagine themselves, and pursue digital transformation (DX) in an agile manner. With customer behavior and digital channels evolving rapidly, enterprises must leverage these digital pre-requisites to rethink every aspect of their business and align their operating model with an objective to deliver compelling and seamless customer experiences.

Every industry is being Uberized and innovative “scaleups” are upending the conventional business and operating models across every value chain. To stave off disruption, it is imperative for enterprises to embed a culture of being “digital native” throughout the organization. Businesses have to figure out how to harness various disruptive technologies for accelerating innovation, boosting customer centricity, personalizing services, reducing time-to-market, among other goals. What's needed is a cohesive approach for enterprise-wide digital transformation that can engender the elasticity of “born digital” companies into traditional organizations

## THREE PILLARS OF DIGITAL TRANSFORMATION

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Organizations undertaking digital transformation should design the initiative around three core pillars. First, they must embrace digital business models, proactively addressing market disruption by pivoting—and sometimes cannibalizing—their traditional monetization strategies to unlock new revenue streams.

Second, they must create and deliver differentiated, intuitive user experiences across different touch points for all stakeholders—customers, partners, vendors, employees—to enhance digital engagement.

The third essential pillar of the digital transformation construct is the digitalization of their operating model, spanning business processes and technologies, to foster pan-organization agility, innovation and digital integration. Needless to say, these three pillars must be planned and executed in tandem, for DX initiatives to yield the desired results.

### FOSTERING THE DIGITAL ECOSYSTEM

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Companies cannot construct and operate these three critical DX pillars alone. They will have to foster a digital innovation ecosystem by developing partnerships with technology vendors, IT services companies and BPO providers.

Enterprises today have an unparalleled opportunity for collaboration and co-creation with vendors against the backdrop of a significant revamp of the outsourcing playbook. Moving beyond its traditional value proposition of driving increased operational efficiency and cost-cutting, outsourcing promises to enable innovation, co-investment and better strategic flexibility for competitive advantage.

In short, the emerging enterprise sourcing model is fueling digital transformation by spawning customer-centric innovation and new business models, while delivering superior operational outcomes. Service providers are willing allies in the enterprise DX journey, digitalizing their customers' business and value chains. Successful organizations are leveraging the digital pre-requisites along with technology and service vendors to weave a digital ecosystem.

### IT-BPO CONVERGENCE UNLEASHING THE POTENTIAL

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Companies have normally treated BPO and ITO as separate exercises involving separate ownership, governance and contracting structures. However, the changing narrative of outsourcing and the drive for digital transformation means this siloed approach is making way for a convergence between ITO and BPO, with vendors crafting holistic solutions that combine digital, business process and technology offerings.

According to a KPMG Global IT-BPO Outsourcing Deals Analysis, IT-BPO bundled deals accounted for 19.7% of all outsourcing contracts inked in 2017 and amounted to 35.9% of the aggregate total contract value (TCV). Such bundled deals have recorded a continuous jump since 2016, with regard to both volume and TCV.

## HOW EXACTLY CAN CONVERGED IT AND BPO SERVICES DELIVER COMPELLING BUSINESS BENEFITS?

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As companies strive to get more value from IT and higher efficiencies from their Operations, they are realizing that aligning IT, Ops and Business is key to enabling an agile enterprise. Traditional siloed approach to outsourcing is giving way to a converged business services model that brings together IT and Ops under a singular framework that can drive common business goals.

Many companies are moving beyond the conventional contract with a fixed scope to a strategic partnership based dynamic operating model that enables scalability and agility. The recent deal between Wipro and Alight Solutions and the one earlier this year between TCS and Transamerica are indicators of this trend. These long term (10 year) contracts involve an upfront investment from the provider, overhaul of the company's IT landscape, and a digitalization of their business value chains to create a digital operating model.

This converged IT-BPO model is also enabling enterprise DX and growing adoption of outcome-based engagements, whereby contracts are no longer built around typical SLA targets, KPIs and process metrics. Instead, companies are expecting service providers to invest upfront in the transformation while tying their compensation to achieving business outcomes such as increased customer retention, digital product revenues, CSAT etc.

Put simply, organizations across industries are realizing the power of IT-BPO convergence to drive better alignment between technology and operations. This, in turn, can enable a more cohesive approach to DX and better line of sight to driving business outcomes.

## IMPACT OF DIGITAL PREREQUISITES IN ORCHESTRATING DX

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We are at a key inflection point, and enterprises are seeing the convergence of emerging technologies, business operations & digital transformation. Executives are faced with both opportunities and challenges brought about by the increasing pace of digital innovation driven by technologies such as Automation, AI and Blockchain. To survive and thrive in the Digital age, companies have to transform and adapt their business and operating model to align with new market realities. Faced with a plethora of technology options enterprises are increasingly engaging with service providers to navigate their DX journey.

Digital pre-requisites are the foundation on which organizations can pivot their operating and business model and enable a rich digital user experience. RPA has rapidly become the Lego equivalent for fabricating digitized processes. Layered on top of these automated processes, AI and Advanced Analytics can enable intelligent and autonomous behavior. Blockchain and DLT are opening a new avenue to re-wire business value chains to drive new efficiencies, peer to peer business models and unparalleled data transparency and integrity. Blockchain has the potential to democratize AI, enabling use cases previously unfeasible such as creation of decentralized intelligent systems and autonomous

## **Leveraging IT-BPO Convergence for Enterprise Digital Transformation**

decision widgets. These modules coupled with Automation and IoT can convert them to physicality of action that can be initiated based on a sequence of events or data inputs. The hyper-convergence of these digital pre-requisites can unleash the digital potential of a business whose impact is far greater than the sum of its constituent technologies.

The future of technology is inevitably a decentralized system of intelligent applications and operations, whereby machines interact with each other and humans and the understanding of human actions is successfully mimicked. Success will come to those who can leverage a digital ecosystem of technology and service partners to weave the fabric of digital transformation.

## **CONCLUSION**

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To survive and thrive in the digital era, companies will have to fundamentally rethink the way they operate, engage with customers and monetize their offerings. This will require the adoption of a digital business model, reimagination of value chains and leverage of digital prerequisites such as Automation, AI, Analytics and Blockchain. This Digital Transformation can be driven through the convergence between innovative technologies and service providers to help pave the digital customer journey, unleash the power of data and create intelligent systems and processes.



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# AVASANT

## ABOUT THE AUTHORS



Anupam Govil has over 25 years of experience providing ICT transformation, ICT sector development and investment promotion advisory to enterprises, governments and public sector agencies in emerging regions, especially in the Americas. He has extensive experience working with global/regional funding agencies like USAID, USDA, IDB, World Bank, Commonwealth and Compete Caribbean on ICT sector development initiatives. Mr. Govil has led sourcing and globalization enablement engagements across a broad swath of countries such as Colombia, Brazil, Dominican Republic, Jordan, Cyprus, Ghana, Dubai, Jamaica, Egypt, Republic of Georgia, Guatemala, Honduras, Barbados, Costa Rica, Belize and others.

He has been ranked amongst Top 30 Industry Executives by Nearshore Americas for 2010 and 2011.

### About Avasant

Avasant is a leading management consulting firm focused on translating the power of technology into realizable business strategies. Specializing in digital and IT transformation, sourcing advisory, global strategy, and governance services, Avasant prides itself on delivering high-value engagements through industry focused innovation and flexible client based solutions.

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