

After COVID-19, Digital Capabilities Will Determine Success

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Abstract

The invisible SARS-COV-2 virus has brought much of the world to a standstill. The medical community, social scientists, and governments are racing to stanch the spread of infections and treat the infected. Even hopeful signs have often been accompanied by horrific tolls of illness and death.

And yet experts think that at some point, we will be able to shift from primarily addressing a deadly pandemic with economic ramifications to confronting a new social and business order that still includes serious health implications.

Just what this new economic order will look like is starting to take shape. While several uncertainties will continue to persist in the immediate term, enterprises investing in enhancing their digital capabilities are likely to emerge stronger out of the COVID-19 crisis. The International Monetary Fund has projected the global economy to contract this year for the first time since the 2008-09 crisis and several think tanks have predicted IT spending to shrink between 2.7% to 5%. Against the backdrop of rapid economic contraction and the emergence of a new, post-pandemic world, here is what we can expect to see in the short and medium term.

Efficiency Will Be Priority #1 for CEOs

Businesses will be focusing on ruthlessly cutting costs and improving product every area. For example, enabling several roles to work from home, even after the threat of the pandemic passes, also saves on office real estate costs; enabling distributed teams to work together, asynchronously or in real-time, also leads to deep cuts in certain cost categories, such as travel. And this push for efficiency from the top will likely accelerate the automation of business and IT processes that have already been underway for several years.

Digital Capability Investments Will Work Harder

Forward-looking CEOs will continue to invest in enhancing the digital capabilities of their enterprises. More important, leaders will take a holistic view of digital investments rather than looking at their various digital pillars in isolation. The return on investment will need to extend beyond the hard parameters of the department or process being transformed. Questions that expand the domain for a transformation can help everyone reach buy-in. For example, "How can we improve our customer acquisition rate or Net Promoter Score by providing a best-in-class user experience that is cyber-safe and leverages the benefits of an elastic infrastructure"? Or: "How I can enable my business leaders to crunch large amounts of data so they can design innovative products and services aligned to the new economic order?" The answers to such questions will inevitably include capabilities like cloud computing, analytics and artificial intelligence (AI), and the wide-scale adoption of Agile and DevOps development methodologies, because these are some of the enablers of the digital ecosystem.

Leading Enablers of Competitive Advantage in a Post-COVID Order

- **Enterprise-wide adoption of flexible methods and platforms:** In the [TCS 2020 CIO Study](#), nearly nine-tenths (87%) of CIOs at firms successful in digital business said that “creating breakthrough products and services through game-changing innovations” will drive future growth at their companies (compared with only half of CIOs at other companies who said so). And more than two-thirds (69%) of these CIOs said that future growth will also require developing whole new digital products and services for new customers (while only 44% of the other CIOs said so). Appealing to new customers only becomes more important in a downturn. To improve speed-to-market and proactively develop these innovative offerings in the “new normal” of social distancing and remote work, new developments in collaboration tools and technologies will enable enterprises to move towards location-independent iterative ways of working, such as Agile and DevOps, expanding their adoption beyond just software development teams into most other areas of the company. Similarly, the infrastructures and platforms a company runs on and through which it serves its customers will need to become more flexible as well, adapting quickly to the changing needs of the business and the charge to reduce operating expenditures. This will increase the need for cloud computing, microservices, APIs, and the “-as-a-service” hallmarks of the emerging digital ecosystem. A cloud infrastructure on which these capabilities run not only reduces costs but provides tremendous elasticity to businesses. The post-COVID-19 world will witness rapid acceleration in adoption of cloud computing by enterprises as they seek to enhance business agility, make IT infrastructure flexible and aligned to business requirements, and reduce their op-ex cost structure and investments.
- **Cybersecurity:** Even in this period of unprecedented humanitarian crisis, there has been no letup in cyberattacks. On the contrary, hackers have been only emboldened to increase their activity while the legitimate world focuses on health and continuity. With the anticipated increase in the digitalization of enterprises and more employees working from home, cybersecurity —already a boardroom priority —will receive greater focus and investment share from digitally adept firms.

- **Customer experience (CX):** Unfortunately, several businesses have already failed as a result of the necessary actions to contain SARS-COV-2 infections. And many more will do so in the weeks and months ahead. The ones that survive will therefore exponentially increase their customer base — provided they are positioned for the growth. This cannot be a responsibility of the sales and marketing functions alone. The entire organization, including support and IT, will have to be geared towards providing seamless customer experiences across all channels and across the lifecycle, from designing new offerings and identifying prospects to converting customers and providing subscription or after-sales support. But this will require new mindsets and commitments from the C-suite, lines-of-business, and other functions. For example, as the TCS 2019 CMO Study discovered, **only 37% of companies personalize their communications for customers during the support stage** of their experience. And **only 4% currently personalize their communications across all four stages** of the brand experience: awareness, conversion, support and retention.

AI and CX advances are key to being able to achieve this level of seamlessness for customers. Conversational experiences, powered by voice and chat bots, are likely to see manifold growth leading to some shift of budgets from contact-center-related investments and expenses.

- **Quality engineering:** Enterprises that invest in their quality engineering capabilities — embedding quality across product and service lifecycles, implementing end-to-end automation of all types of tests, and harnessing the power of AI and machine learning (ML) to optimize the cost of quality — will be better placed to attract and serve new customers. Winners in the new economic order are likely to have at least one common trait: they will have invested in their quality engineering capabilities for strategic differentiation and to provide seamless customer experiences while ensuring resilience and security of IT systems.
- **Investments in digital workplaces:** The need for virtual work environments for remote and work-from-home employees has led to a proliferation of digital workplace solutions by leading tech giants in the last few years. Providers of collaboration tools and video conferencing solutions are going to be addressing the explosion in demand with enhanced features and better security to thereby capitalize on the opportunities.

- **The rise of digital ecosystems:** The mobile revolution led to the creation of an incredible digital ecosystem built primarily around Apple and Android. Several companies across various industries such as automobiles, healthcare, and consumer electronics — to name a few — have invested in building digital ecosystems connecting suppliers, customers and other stakeholders. In the new economic order, we will see further acceleration (especially, initially, in healthcare and life sciences and among those organizations providing public services) in efforts to augment their existing digital ecosystems, build new ones, and leverage the greater ecosystem becoming available to enterprises at large. These will harness the potential of technologies such as 5G, cloud computing, and the Internet of Things, as well as AI and ML and, eventually, quantum computing. According to the [TCS 2020 CIO Study](#), however, only about a fifth (19%) of firms today are looking at their opportunities through the lens of digital ecosystems, whereas almost half (49%) still largely see their opportunities “through the traditional lens of our industry structure.” But as the globally connected economy and a socially distanced society converge, successful firms will increasingly seek new revenue from new sectors and stand ready to face threats from new players with new, digitally focused business models.

If You Get Through This, You'll Get to Do All That

The post-COVID-19 world will see a shakeout in the business landscape wherein several businesses currently on a weak footing, having excess leverage in their balance sheets and minimal differentiation in products and services, will likely go out of business or be sold for parts. But those that survive will emerge stronger, enjoy huge market share gains and gradually gain pricing power. To survive today and thrive tomorrow, enterprises will need to be agile, make forward-looking investments to become digital enterprises, and protect themselves against cyber risks. While that will look different for every company that seeks to differentiate, mastering these challenges will be what separates the victors from the vanquished.

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