

# White Paper

## Managed Service for the Digital Age

World Economic Forum predicts that \$100 Trillion of combined economic value to society and industry will be generated in the course of next 10 years primarily propelled by digitization. "Combinatorial" effects of digital technologies – mobile, cloud, artificial intelligence, sensors and analytics among others – are accelerating progress exponentially..."<sup>1</sup>

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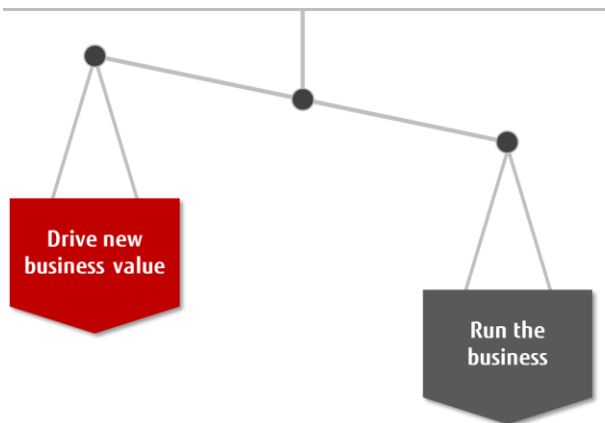
## The digital highway

Today's digital landscape can feel very similar to driving a vehicle on a congested highway. One lane is filled with slow-moving cars and the semis that carry the essentials of our lives. It might be a safer and slower place to drive and likely delivers really important goods, but those drivers don't get anywhere quickly. The other lane – the fast lane – has the latest cars zipping down the road with great speed and agility. In a world now dominated by digital, companies must move from the slow lane to the fast lane quickly, safely and with minimal error and risk.

But making the shift to digital isn't as simple as turning on the indicator and changing lanes. In fact, most companies can't even change lanes today without taking down core parts of their business and, in fact, must drive in both lanes at the same time. While traditional IT is no longer a source of competitive differentiation, it is still a primary vehicle for delivering mission-critical systems that keep businesses running. Striking the balance on the journey to digital is, therefore, complex and risky – and it is rare to see it done well.

## The digital balancing act

The challenge CIOs face is to carefully divvy up ICT budgets among activities that generate business value (where digital transformation thrives) and those that run the business. The latter is critical as it enables non-differentiated services (from the customer's point of view) to remain as hygiene factors that simply cannot be abandoned. However, CIOs will still need to recalibrate in such a way that IT delivers the current state while also driving efficiency opportunities that free up budgets for reinvestment into creating additional business value.



But business executives will continue demand digitalization in their organizations and, in their control of ICT budgets, will shift resources and investments away from maintaining slow IT to focus on generating the strategic value they can deliver by driving innovation and new digital capabilities. They have already maxed out gains from labor arbitrage, offshoring, function consolidation and integrations, and efficiency exercises.

## Changing the view of managed service

The managed service game has changed will continue to change with more software-as-a-service, platform and cloud solutions coming to the forefront, while client-server solutions increasingly stagnate. Generic, product-related bug-fix, enhancement and incremental development tasks will be relegated to enterprise software companies at a much lesser price. Software upgrades and enhancement packs will become basic activities completed at the software service provider. And gone will be the days of 200-person offshore support teams, with organizations that invested heavily in these capabilities woefully realizing that they won't realize a return on that investment.

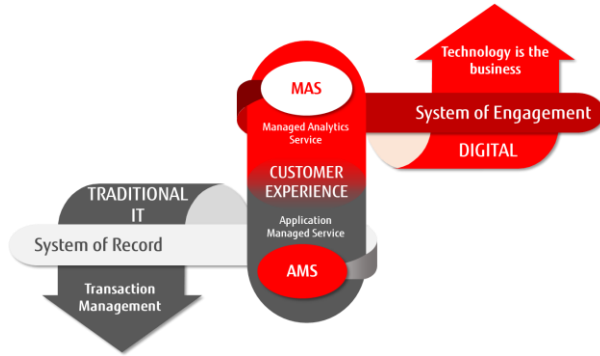
As we empower computers with larger sets of data and cognitive capabilities, and as we enrich industrial robots with greater volumes of artificial intelligence, we will see another round of change – one in which companies will increase spend on system integration efforts. There will be a great need for business process consulting and industry knowledge, both of which will be in short supply.

To be sure, anything will be possible with the right people at the table, where the biggest challenge will be to understand, align and coordinate every activity big and small on the transition to digital. In doing so, companies have a better shot at garnering the strategic value expected and, more importantly, not breaking critical workflow and systems in the process. As such, every bug-fix and development activity must still be viewed as a critical investment and companies must find ways to fund these activities.

A strategic digital roadmap with a laser focus on customer experience must live at the center of everything.

## A MASSive shift

In the digital age, as contrasting data sources for humans and sensors take center stage, we will see a drastic shift from traditional application managed services to a new Managed Analytics Service (MAS). MAS will be an all-encompassing managed service solution that will extract, analyze and predict outcomes in real time, where maintaining and curating synchronous and asynchronous data will become a service line all its own.



Metrics for MAS will be tuned with the bimodal form of IT, and companies will have to identify and measure key performance indicators (KPIs) for enterprise systems and robust ICT, while also creating new metrics to measure transformational (or digital) growth. KPIs we'll see in a new MAS world are likely to include:

- Degree of digitization of product or service lines
- Number of new revenue streams created
- Number of new customers and workforce-enabled with digital technology
- Number of new risks and opportunities identified through digital predictive analysis
- Responsiveness to customer requests
- Net Promoter Scores and customer satisfaction ratings from users

To be sure, digital solution providers also will have to track new KPIs to measure the success of new digital platforms and innovations. They will be looking the speed, accuracy and depth of their analytics capabilities, their ability to predict outcomes, and the effectiveness of the solutions for realizing business value derived from more informed decision making.

Finally, digital business requires a modern portfolio of applications to make the shift from managing simple transactions to a world where technology itself becomes a line of business.

Customer-centric MAS (with AMS on the cloud) presents a truly exciting opportunity for companies and service providers that can meet newly-defined measures for success and create an autonomous, agile and empowered workforce to carry innovation forward.

To create an environment where the digital lane-change can begin, companies must already have a paved road and a car that runs. Creating a thoughtful and methodical digital strategy is a required, at a minimum. And an organization already managing robust processes, embedded service oriented architecture, master data management and enterprise information management will find digital transformation a much easier maneuver.

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### References

1. [World Economic Forum, Press Release 22-January 2016](#)

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