

Sri Lanka's US\$ 900 million IT industry is expected to slow down sharply in the face of changing global market conditions. However, industry veterans are optimistic that this figure could reach five billion dollars by 2022.

The Western media has reportedly predicted the death of migrant service jobs to Asia by 2022 due to 'Trumponomics' and the lack of a new strategy playbook. Therefore, the assumptions underlying the strategy of IT firms are deeply flawed. Neighbouring India has already witnessed stagnant growth in the area.

So the IT boom and optimistic growth predications will soon evoke nostalgia as executives come to grips with this dilemma – that many of the advantages that created the earlier boom (e.g. relatively inexpensive labour, English language fluency, favourable government policies etc.) aren't going to sow the seeds of future growth.

In the past, the core value proposition for many large IT services companies was that they could undertake tasks for clients that were either not something customers wanted to retain in-house or could be done more cost-effectively elsewhere. That model is well on its way to competitive erosion.

Labour is no longer as inexpensive as it once was and an increasingly aspirational workforce has no compunction about leaving their employers for better opportunities. More critically, the tech budgets that once grew exponentially have been pulled back.

To move up the value chain, the big companies have been looking at developing new capabilities in IoT, AI, big data, the cloud and digital media. But such a dramatic shift in business models is likely to be difficult when the changes are triggered by a burning platform.

INGIMAGE®



The IT boom and optimistic growth predications will soon evoke nostalgia

## NOVEL STRATEGY PLAYBOOKS

How to scale up the ICT value chain – by **Rita McGrath** and **Muneer Muhamed**

For one, these firms will be competing for scarce talent not only against each other but also against large corporations beyond their industry that offer less bureaucracy and higher payoffs. Moreover, the transition from a profitable and high growth business model, to a more uncertain and potentially less profitable one, is very difficult for most companies to handle.

So what should these companies do?

The 1.2 trillion dollar global IT industry will continue to throw up opportunities but grabbing such transient advantages requires a different playbook to what's been used so far. Some of the playbook is well understood globally (but not practised too well here) – for example, innovation. The new playbook we propose has five dimensions; and it has delivered success for enterprises such as Verizon and Cognizant.

Firms should build capability to move from one set of transient advantages to another rather than defending existing competitive advantages. They'd want

to rigorously examine their portfolios of investment and prepare to invest in new options for future growth. Being courageous in disengaging from exhausted lines of business will be a way of life. Talent allocation will become fluid. Business exits that occur at a steady pace will trigger new learning.

Secondly, firms will need to consider which new business models might prove to be attractive. Choices will have to be made to address major industry shifts, the most obvious being to anticipate and prepare for the future.

What's more subtle will be when companies take advantage of second order effects such as when new opportunities emerge because of customer demands. Resources will have to be organised around opportunities and firms should embrace a 'real options' mindset – as in options trading. Rather than owning assets, access to assets will be the key.

Also internalise that governance and budgeting for innovation is separate from business as usual, and create a balanced portfolio of initiatives that support the core business, build new platforms and invest in options. The discovery driven disruption framework

will witness quicker adaption by IT enterprises for risk mitigated turnarounds. Begin with customers and innovate to find ways to get their jobs done.

Leadership must assume that existing advantages will come under pressure and encourage open questioning of the status quo. The broader involvement of a diverse set of people in strategy development will be crucial too. And 'fast and roughly right' should be the norm, instead of the 'precise and slow' of yesteryear.

A shift from analytical strategising to rapid execution will be the highlight going forward. Employee superstars will be needed instead of hierarchies and teams, and careers ought to be managed not by businesses but individuals. They will move from one mission to another and for durations that mimic the resource allocation route.

Rather than cost arbitrage, 'responsibility arbitrage' must emerge as a new value proposition; and moving up in the relationship value chain will help build the competitive advantage of switching costs. With this new strategy playbook, we envision a few IT firms triggering high growth disruption.



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