COVID-19: the perfect storm for digital acceleration
1 May 2020

The question now is how soon can organisations shift to the new digital business and operating models.

By Sushant Rabra, Partner, Digital Transformation

The COVID-19 pandemic has exposed a clear digital divide: those companies which had already invested in digital operating models/enablement have fared much better than those which had not. In fact, for many businesses, the continuity of operations critically depends on their digital capabilities.

Boards and markets are taking note, and consequently digital transformation is likely to be one of the most strategic topics on the boardroom agenda. The question now is how soon organisations can shift to the new digital business and operating models.

As businesses scramble to adjust to the new normal, we foresee the following seven key themes playing out on the wider economic canvas:

Digital nationalism: Increasingly, a large part of the economic value created is coming from digital innovation, ecosystem propositions and new technologies. This clearly plays out in the soaring valuation of big tech that we have seen, and rapid investments in this space. However, in these trying times, countries could seek to retain their edge and increase non-tariff barriers on leading edge digital R&D, intellectual property, and those products or solutions which they consider important for national security or economy. We can expect expanded regulatory frameworks and increased scrutiny on merger and acquisition (M&A) activities.

Shift towards digital labour: The world was already embracing digital labour and bots, but COVID-19 should accelerate this shift towards greater automation. Businesses would want to increasingly leverage digital platforms, which can continue uninterrupted in the event of a crisis and reduce dependence on personnel. Further, the margin pressures would nudge businesses to seek efficiency in scale deployment of digital labour technologies. This could actually be the perfect storm for widespread adoption of such digital technologies.

Workspaces of the future: COVID-19 could mark a turning point in how people work. The pandemic is transforming peoples’ approach towards work, mobility, and flexible working models. We expect to see an acceleration of alternative work delivery models as well as employment constructs. Most of these new models would be powered by digital platforms for realisation.

Outcome linked and As-a-Service models: With more economic uncertainty around, customers/businesses would seek to engage suppliers or partners on outcomes, and not on classical material/service supplies. We expect many businesses to restructure their propositions to align to this new landscape and bundle their solutions on outcome/as-a-service models. Digital platforms would either form the backbone of delivery of such propositions.
**Digital skills**: Innovation driven by digital technologies will increasingly power the competitive edge for companies in the market. The roles of the future would be built on a triad of skills – domain/functional skills, digital skills and professional skills. This is an opportune time for organisations to reflect on the digital talent base and leverage the downtime to build a pervasive digital skill foundation.

**Capital-conscious models**: As the capex cycles get rescaled due to the crisis, we expect digital product/solution partners to be innovative in offering cashflow friendly investment models for digital implementations. Many of the ecosystem players would be looking at gain-share models, which could accelerate the digital journey for organisations.

**Tech Foundations**: In many large companies, technology debt gets accumulated over time, as businesses go through multiple cycles of technology acquisition/implementations. This crisis may provide an opportunity for leaders to carefully evaluate the tech landscape and identify opportunities to retire this technology debt. It may also free up precious cash flows which could be leveraged for future digital investments.

In summary, digital transformation could be a strong lever in organisations’ response to the current crisis; and give them an opportunity to re-align their business/operating models to the rapidly changing business landscape. As the saying goes, never let a good crisis go waste!