# AVASANT

# THE EMERGENCE OF DIGITAL SERVICE CENTERS

## ACCELERATING ENTERPRISE TRANSFORMATION AND IGNITING DIGITAL INNOVATION

*Global enterprises encounter several roadblocks in their digital transformation journey which is tied to a dependency on traditional operating models. Business leaders are therefore searching for new ways to address their challenges. Digital Services Centers (DSCs) have now emerged as a solution to provide organizations with a new model that supports development and delivery of digital enterprise services. DSC is an evolution of the traditional IT shared services model to provide digital services and support and enablement of enterprise innovation.*

# THE ROLE OF DSCS IN DRIVING THE NEW OPERATING MODEL

The expansion of the Digital Economy is causing major disruption across the global business environment. There is now great demand for digital-led products and services amongst global enterprises and consumers, fueled by advancements in digital technologies and solutions such as quantum computing to enable super-powered digital environments, and blockchain for greater enterprise connectivity and transparency.
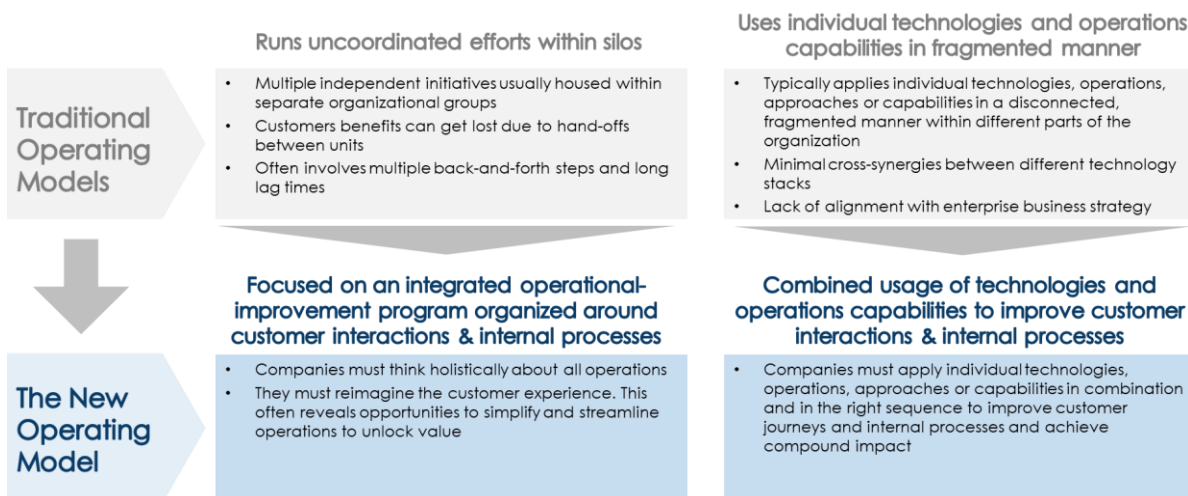
**"Going digital is no longer an option, it is the default."**
*- Natarajan Chandrasekaran, Chief Executive Officer and Managing Director at TCS*

Facing a widening digital competency gap, companies are therefore being forced to quickly transform their business model and operational landscape to adapt to changing markets. However, most companies are suffering from failing digital business transformation (DBT) programs – largely due to their dependency on traditional operating models that is restraining real progress. Such cases are riddled by a lack of synergy and alignment throughout the business, resulting in very low transformational impact and returns.

To build enhanced business value and provide a compelling end-to-end customer experience, organizations need to commit to a next-generation operating model that combines digital technologies and operations capabilities to improve revenue, customer experience, and cost while driving enterprise-wide transformation.

Traditional vs. New Operating Models to Drive Digital Business Transformation

**Runs uncoordinated efforts within silos**

**Traditional Operating Models**

- Multiple independent initiatives usually housed within separate organizational groups
- Customers benefits can get lost due to hand-offs between units
- Often involves multiple back-and-forth steps and long lag times

**Uses individual technologies and operations capabilities in fragmented manner**

- Typically applies individual technologies, operations, approaches or capabilities in a disconnected, fragmented manner within different parts of the organization
- Minimal cross-synergies between different technology stacks
- Lack of alignment with enterprise business strategy

**Focused on an integrated operational-improvement program organized around customer interactions & internal processes**

**The New Operating Model**

- Companies must think holistically about all operations
- They must reimagine the customer experience. This often reveals opportunities to simplify and streamline operations to unlock value

**Combined usage of technologies and operations capabilities to improve customer interactions & internal processes**

- Companies must apply individual technologies, operations, approaches or capabilities in combination and in the right sequence to improve customer journeys and internal processes and achieve compound impact

Digital Services Centers (DSCs) are now moving into the limelight as a requisite model to accelerate and sustain digital business transformation. In fact, over 90% of enterprise leaders from a recent study agree that a DSC-type model is needed to develop digital competencies and drive desired business outcomes[1].

**"You never change something by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."**
*- Buckminster Fuller*

Essentially, a DSC is an evolution of the traditional IT shared services model to provide digital services and transformation support and enablement of enterprise innovation. This should include key offerings such as cloudification, platform modernization, data strategy, analytics & AI, automation at scale, digital workforce development, digital customer enablement, digital innovation, agile IT operations (incl. DevOps and microservices), as well as cybersecurity and compliance services.

### Key DSC Service Offerings

| | |
|---|---|
| **Cloudification** | • Support the enterprise in cloud migration leading to scalable, flexible and utility-based computing service offerings (e.g. Infrastructure-as-Service, Platform-as-a-Service, Software-as-a-Service) |
| **Platform Modernization** | • Helping the organization to transition away from inadequate legacy systems through the design, development, implementation and management of integrated, intelligent enterprise platforms |
| **Automation at Scale** | • Drive extensive automation of processes (from identification and prioritization of processes to be automated, to supporting the procurement of best-in-class automation tools and solutions, etc.) |
| **Data Strategy** | • Development of a data-enabled environment to transform data from all sources into intelligent and actionable insights |
| **Digital Workplace** | • Provide easy access to services and enable greater collaboration through a single portal, using any preferred channel / device, and to support procurement and rollout of digital workplace technologies |
| **Digital CX** | • Digital customer enablement through innovation-led user experience (UX) design, as well as deployment and management of mobility and cognitive solutions for omni-channel service delivery |
| **Digital Innovation** | • Experimentation, prototyping, testing, and piloting of new concepts, ideas and solutions to drive enterprise innovation (leveraging emerging technologies such as IoT, Blockchain, 5G, etc.) |
| **Agile IT Ops** | • Faster deployment and maintenance of the IT operations environment and services, based on Agile principles, DevOps, microservices, etc. |
| **Cybersecurity** | • Ensure the protection of systems and sensitive data through development and compliance to security policies, standards, plans and designs |

With the establishment of a DSC, an enterprise can centrally develop and manage their digital capabilities while helping to address some major transformation obstacles, such as managing the overall complexity of the change, legal and security concerns, dependency on legacy infrastructure, limited

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[1] *Source:* Riverbed Technology (2019). https://www.riverbed.com/blogs/digital-performance-eiu-study-benchmarking-competencies.html

digital knowledge and skills and lack of funding. However, there are some key guidelines that enterprises should follow to successfully establish their DSC.

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**DSC Success Story:** Vodafone Shared Services (VSS)

Since establishing in 2006, VSS has matured from a single entity to a multi-functional and multi-location organization with operations in Hungary, Egypt, India and Romania. It has over 20K employees serving 150+ enterprise customers in over 13 languages.

Today, VSS has become a nexus for innovation and provides a range of digital services incl. Digital Processes Analysis, Robotics and Cognitive, Analytics, and Mobile App Development. A recent partnership with IBM also enables VSS to support enterprises with 5G, AI and edge computing adoption.

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# ESTABLISHING A DSC

To enable and accelerate enterprise innovation, DSCs must be equipped with the right mix of people, technology and processes. Therein lies some key components which include:

- A robust *Governance Model* to ensure value realization and best-practice based implementation of the DSC – with KPIs that adequately measure and track the success of the DSC.

- A *Digital Service Catalog* that organizes and documents service offerings to help establish efficient service requests and fulfilment. A digital service catalogue platform can also be deployed to centralize communication about services and enable easy service ordering.

- A *Digital Talent* base with competencies (knowledge, skills and attitudes) to fully-support development and delivery of digital initiatives and services. Digital skills development is certainly a major priority for many businesses, especially those in DBT mode. As such, DSCs should have a Digital Academy component to ensure continuous development of talent around emerging and disruptive technologies, as well as a Digital Labs component to accelerate ideations, innovations, iterations and research in support of innovations.
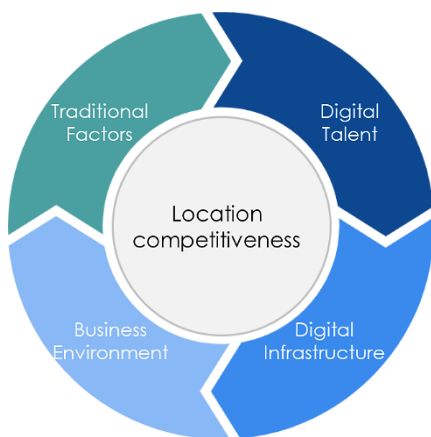
Key Components of a DSC
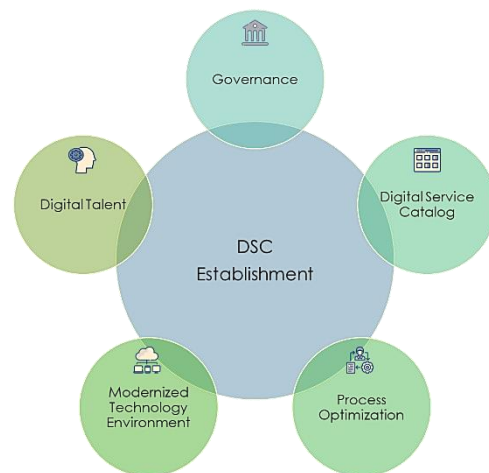
- A *Modernized Technology Environment* to enable innovation-led service delivery and implementation of self-help and self-healing solutions (leveraging next-gen networking technologies of SD-WAN, cloud/hybrid-cloud architectures, etc.). There is also a need for an integrated platform to provide end-to-end monitoring with proactive performance insights and omni-channel engagement capabilities.

- *Process Optimization* focusing on automation at scale to speed-up delivery and streamline workflows. This includes managing incidents and changes to the IT environment through ITIL-based processes.

Given these requirements, selecting the most suitable location for establishing a DSC becomes a focal point as well. While there are typical locations positioned high-up the digital competitiveness maturity curve, there are several new and emerging locations capable of advanced service delivery – which adds some complexity to the site selection process. At a high-level, locations must have a conducive business environment, a steady supply of digital talent and future-ready infrastructure to support the DSC.

The availability of **digital infrastructure** is an obvious requirement – and this includes the provision of a robust digital broadband network capable of facilitating the delivery of next-gen solutions and services. In terms of **business environment**, locations need to have a competitive regulatory landscape to facilitate new digital business models and piloting of innovative digital solutions. The ease of doing business must also be optimal coupled with accessible, efficient and transparent administration of public sector services. In this regard, digital government policies and strategies have become a main priority for officials. For example, Jamaica is working on becoming the first digital country in the Caribbean region – which will boost its competitiveness in the global digital services space. Costa Rica is also well on its way to becoming the 'Silicon Valley of Latin America' through its Digital Transformation Strategy 2018-2022; and Ireland has emerged as a Digital Nomad Hotspot and a top digital country in the EU through its strong focus on optimizing its digital ecosystem.

### DSC Location Selection Criteria



The most critical criteria however will be the quality and availability of a location's **talent pool.** To deliver the type of enterprise services that DSCs need to provide, there must be a scalable supply of digital talent. As a commitment to workforce upskilling / reskilling, some locations offer incentivized capacity development programs that are aligned to market trends and future business needs. Others have also implemented a digital talent platform that provides insight and connects local talent to prospective investors and employers.

Beyond digital competencies however, there are other key resource requirements such as multi-lingual skills. Since large enterprises operate on a global scale across multiple geographic locations, a DSC must also house talent that can communicate in various languages.

**DSC Success Story:** Department of Finance, Northern Ireland

Digital Shared Services (DSS) at the Department of Finance in Northern Ireland (NI) has the responsibility to deliver the NI Digital Transformation Program – which commenced in 2014.

It provides IT infrastructure services for the NI Civil Service and other government organizations, as well as manages the Government citizen portal and contact center services.  It also drives the NI Open Data Strategy.

To date, DSS has accomplished the first major milestone of the digital program, which is the delivery of 16 new digital citizen solutions. Digital transactions grew by 3.5+ million.



**Cost** competitiveness has historically been one of the main criteria for expanding operations to offshore and/or nearshore locations – but this is quickly changing with the turn of the Digital Economy. While the cost of operating is still a determining factor for site selection, the true competitiveness of a location in the modern global services outsourcing world is the ability to deliver advanced digital services.

Other traditional factors also come into play such as geographic proximity, time zone differences, cultural affinity, as well as economic and political stability. Nonetheless, the focus is growing on digital location competitiveness.
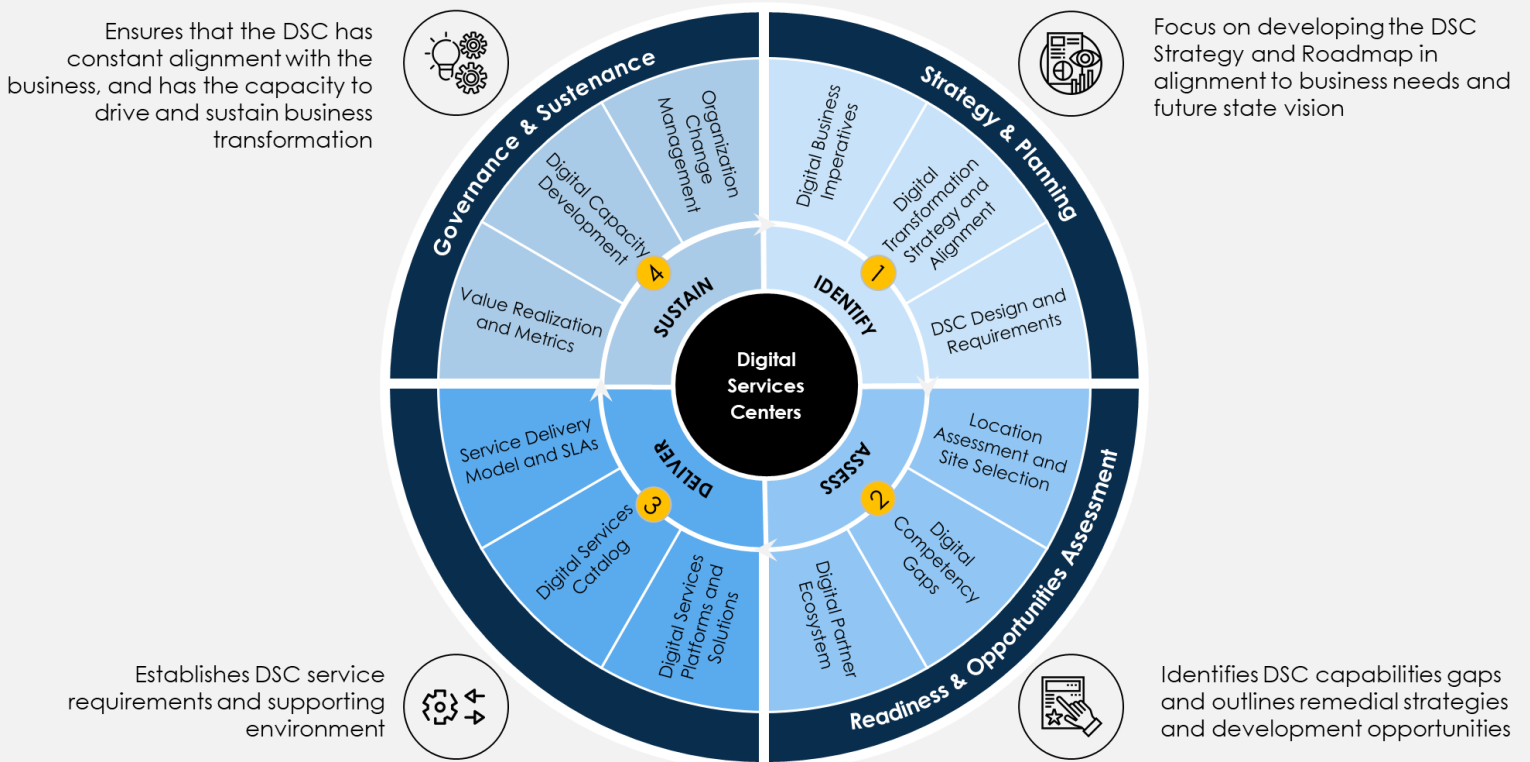
# How can Avasant help with DSC Establishment?

Obtaining a competitive advantage in complex business environments requires synergy between leadership and execution. Avasant's Digital Transformation and Global Development practice supports private sector, governments and multilateral institutions by offering a full range of management consulting services to assist in the development and execution of new strategies to drive superior business outcomes.

To support organizations in the establishment of DSCs, Avasant augments its digital advisory services and experience with several proprietary frameworks and proven methodologies. These include:

- Avasant Digital Readiness Assessment Framework
- Avasant's Center of Excellence (CoE) Framework
- Avasant's Intelligent Automation Acceleration Framework
- Avasant Digital Competitiveness RadarView™
- Avasant Labs Digital Accelerator Program
- Avasant Transformation Management Office (TMO) Services

Avasant's DSC Framework



Ensures that the DSC has constant alignment with the business, and has the capacity to drive and sustain business transformation

Focus on developing the DSC Strategy and Roadmap in alignment to business needs and future state vision

Establishes DSC service requirements and supporting environment

Identifies DSC capabilities gaps and outlines remedial strategies and development opportunities

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## ABOUT THE AUTHORS

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