

Managing the Digital and Analog Duality

Deftly managing the duality of analog and digital operations is a must for today's businesses. But while companies understand the importance of moving toward digital, they have varied interpretations of what this means. However, a focus on the customer will keep them anchored, says Dinesh Venugopal, president of digital and strategic customers at Mphasis.

Knowledge@Wharton recently interviewed Venugopal about what digital transformation looks like for his company and its clients at the "Fast Forward: Executive Strategies for Personal Digital Transformation" summit, sponsored by Mphasis. What follows is an edited version of that interview.

Clients' View of Digital Transformation

There's a clear understanding among our customers that their digital world is changing and changing rapidly. But if you ask them [to define what it means to be] digital, you get different answers depending on who you ask.

In some sense, it's like the old Indian parable of the five blind men and the elephant [where they each feel a different part of the animal and come away with varied definitions of the beast]. You ask the IT guy, he will tell you that digital is all about technology, social media, analytics, cloud. Now if you go to the operations person and ask him, he'll tell you it's about recreating their 1-click Amazon experience. And if you go to the business guys, they'll say it's about creating new business models like what Uber does. So you get very different answers depending on who you ask about digital.

But one thing is very clear: They all understand that consumer behavior is changing and their customers are asking for the same experience that they get from a Google or Facebook or Amazon. And that's forcing these traditional analog companies to change.

The second thing is that most of the leadership team is aware that disruptions are going to happen, and the disruption for a 100-year-old bank is not going to come from a bank down the street but it's going to come from somewhere in Silicon Valley.

So there's a clear understanding of the challenges posed by digital. They think the digital revolution is real, but their approaches vary depending on the customer and the maturity of that response also varies.

How Mphasis is Transforming

The digital world is changing rapidly ... and you get tempted to do the next big thing. As a small company, if I [keep] following the next big thing, we might get disoriented and lose focus. So what we did was very simple. We said we're going to make the customer the axis of our transformation. By that we mean we'll hinge our entire digital transformation story on our ability to make customers successful in their digital transformation journey.

So what this means is that immediately we have to solve real problems for real customers. It also meant that we start solving these problems by co-creating solutions with our customers.... We needed to start acting in this dual mode where we continue to provide traditional services but also start providing digital services. And they are very different services.

Co-creating With the Customer

In the digital world, problems have to be solved [in cooperation] with the customer. The reason is that if you do not understand the customers' context in which they are trying to solve the

problem, you'll end up building a solution that may not work for a specific customer.

So we work with the customer to identify certain challenges and [give them some options for action]: "Here are five different ways you could solve this problem. Which one appeals to you? Which one would help you solve it for your customer?" That means we'll have to bring in not just new technology, we have to bring in the best ... partners, we have to bring in a good understanding of the domain and how the problem needs to be solved, and finally we have to make sure that we're keeping our customer's customer in mind when you solve these problems.

So co-creation means that you're basically sitting down with the customer and solving the problem with them. If you ask me, it's the opposite of the *Field of Dreams* approach, which is, you build it, they will come.

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If you look at the traditional services model ... there are three attributes: one, there's a fixed purpose. They've been defined with a very specific purpose in mind. They also are very reliable and they are designed for performance. Secondly, the culture in which those traditional services are executed is also very different in that you have very well-defined processes that need to be adhered to — and there needs to be proper governance to make sure [that's done]. And the kind of people we need are people who can do continuous improvements to the service levels.

You come to the digital world, it's completely different. Your mantras are speed, agility, and innovation. You need a completely different aura, you need a completely different kind of talent.

For example, I'll tell you three things we are doing in our environment. Number one, we have created this culture of experimentation by creating a group called NextLabs. It's a bunch of Ph.Ds and they are co-creating the next generation of solutions with our customers. Most

of these solutions may see the light of day, some of them may not. Like I mentioned earlier, we may take five solutions to the customer, they're all rapidly prototyped, and the customer just may pick one, and the last four might never see the light of day and they will fail. In a traditional model, that's seen as a very expensive way to build a service. But in the digital model, they're seen as the best way to get the right solution to the customer.

Second example, we are creating an ecosystem of startups in Silicon Valley. I'm from Silicon Valley. Every other Friday, we bring a startup in and they talk to us about what's going on in the technology world, how they're building new solutions. And more often than not you find that they've got very good ideas, excellent technology, great talent, but they're not solving real problems.

So when we ... spot a problem faced by a software customer, we'll see if this startup technology can be adapted and adopted for this particular problem — we are really making a match. And we'll have run through a lot of startups before we find the right one for us to work with. So we're slowly but steadily creating that ecosystem of startups that can help us build the next generation of solutions. That's an example of how we are getting to a culture of experimentation.

Lastly, [Mphasis has] a very interesting and important concept that our CEO calls Cartup, which stands for Corporate Startup. The idea here is that if a problem is complex enough that it requires a little bit of extensive focus and talent assigned to it for a period of time because you need to really think through the solution and you can't rapidly prototype, you need to carve it out. And if the problem is big enough that the customers feel that it needs to be solved, you need to carve a team out.

That team in our environment operates completely differently. They operate like a startup. They have different real estate, different HR policies, different compensation models based

on risk and reward, as opposed to a traditional model which is based on company performance. The model that we set up is just like a startup except that ... these Cartups have access to our customers and we have access to their technology. So it's a very symbiotic relationship that we build with these Cartups. We have a few running still in stealth mode, so I'm not ready to disclose what they do.

Coming back to the dual mode, we are trying to see whether we can operate one part of the company and continue to improve on the traditional services that we give our customers, while on the other side, what we're trying to do is create this environment where experimentation and solution-building is seamlessly built into the culture of the organization. That dual mode is not an easy thing to do. We're trying it. Let's see if we succeed or not. ■