What's Next 2016: GBS/ outsourcing icon Bobby Varanasi comes on board

By Karamjit Singh | Jul 20, 2016

- *All inputs have to contribute to revenue growth, resilience, sustainability*
- *'Capital deepening' undeniable, with robots and software replacing labour*

A PUBLISHED author, sought-after-speaker and commentator, Bobby Varanasi *(pic above)*, Matryzel Consulting Inc chairman and chief executive officer, is also one of the world's leading consultants on global business services (GBS) as a business model. He is also the latest speaker to join the stellar cast at Digital News Asia's (DNA) *What's Next* conference, where he will join a panel discussion on *Disruptive Technology: What's Going To Hit/Boost Your Business* with Red Dot Ventures managing director Leslie Loh.

While he is familiar with the latest technologies adopted in business, describing the next wave of human labour substitution by machines and software as a "capital deepening," Varanasi has always urged organisations to focus on revenue growth, building resilience, and strengthening their sustainability. Technologies, whatever form and shape they take, however sexy or mundane they may be, must always play a supporting role and not lead the business goals of an organisation.

In the following Q&A, Varanasi shares what's disruptive, including the shift from transactional to intelligent workflows with not just technology playing a role but governance as well.

DNA: You are an interesting mix for a panel that talks about disruptive technology, as the GBS space is all about the interlink between people, process and technology. What's so disruptive in your space?

Varanasi: Well, the corporate world has come a long way over the past five decades, particularly in its quest to leverage competencies and practices. While the outsourcing world itself morphed into the GBS world we see today, this increasing maturity has not been as much a function of input factors (people, process, technologies) as much as the inability to deal with uncertain futures and ever-changing marketplace conditions.

This 'disruption,' as one would like to term it, isn't about or because of technology. Today's complex relationships amongst organisations are typically built around collaboration, mutuality, and co-creation. End goals may be many and distinct between partnering entities. However, the common thread binding them cohesively is an agreed objective to build value for the future. Outcome-centric collaborative endeavours have, and continue to deliver, substantial (and at times unimaginable) value to customers, employees and shareholders.

To remain now at the forefront of such gains, organisations look continually toward enhancing their own view to the marketplace, while remaining cognisant of competition, changing consumer preferences, and inherent dependencies that may manifest as hidden opportunities from within their supply chains. The principal disruption is happening with the entire premise of moving from being a 'competitive organisation' to a 'cognitive organisation.'

Intelligence, information, workflows and integrated management of functions within and outside the organisation are the key pivots. Technologies may be seen as one key set of inputs to enable such fundamental shifts. To that extent, the GBS industry is clear in its understanding of the applicability of such technologies.

DNA: The business model has moved from being described as Shared Services to Shared Services and Outsourcing (SSO) to now being called Global Business Services (GBS). Is this the sign of a sector still trying to find its niche and relevancy, or is there sound basis for the changing descriptions?

Varanasi: Twenty years of rigorous adoption of sourcing has seen progressive creation of new service lines and delivery models, alongside rigour and discipline across the entire life-cycle. However the primary premise – of leveraging human resources as capital and inputs – remained unchanged. Was value created or eroded? This is a question that is beginning to gain traction, both in terms of defining what value actually meant, and what it doesn't. Progressive pursuits, from discrete to integrated services, have opened up a plethora of opportunities for organisations to transform their rigid command-n-control models. Consequently, many organisations that were at the cutting edge of adopting sourcing began to see the limitations the traditional models (SSO) continued to pose, particularly in the face of an increasingly complex marketplace where consumer needs changed quickly. Three distinct trends (among many) are pivotal to appreciate the nature of the GBS world:

1) Aggressive commoditisation
Of (hitherto) innovative services allowed organisations to transcend borders and fuel growth in many nations. Of course, a price needed to be paid and that took the form of de-leverage. Control, ownership and predictability gave way to interoperability, open standards and ubiquity that transcended experience or size.

The consequential discrete nature of provisioning imposed inherent limitations that providers couldn't do much about, while customers saw through the limitations.

2) Replacing labour as key input

A resource revolution has been waiting to happen to satisfy the needs of over 2.5 billion new middle-class people worldwide. Meanwhile, smart machines have become increasingly able to perform advanced pattern-recognition tasks (that hitherto required human intelligence).

The evidence of 'capital deepening' is undeniable, where robots, computers and software (as capital) are increasingly substituting human labour. The contributing factors for such capital deepening have been increasingly cheap processing power, sophisticated software, cheap and ubiquitous sensors, and a much better understanding of human intelligence (in the form of cognitive sciences).

On the flip side, input factors have equalised to the point that any sophistication among them is nothing more than marginal value. This facet is precisely the reason for the increasing irrelevance of traditional sourcing models.

3) Pursuing cognition and predictability

Fundamental shifts are noticeable across all layers within organisations. The biggest shifts are observed in the operational and tactical layers. The former is seeing a shift from transactional to intelligent workflows, where technologies and other innovations across data science, artificial intelligence and other trends with governance and collaborative partnering are influencing traditional resource-heavy delivery.

Intelligence is being created continuously instead of keeping the lights up. The fallouts are the irrelevance of job-centric and transactional models. Meanwhile at the tactical layer, traditional service delivery that guaranteed efficiency-based endeavours within functions began to be replaced by an integrated multi-functional and cross-organisational view. The endeavour isn't as much about enhancing efficiencies of operational inputs through structure and rigour. Rather, the emphasis is co-creation and predictive approaches that aim to build resilience within the larger organisation.

DNA: Is there any single technology that you feel is disrupting large businesses? What can or is being done by early adopters to deal with its impact?

Varanasi: No, I firmly believe that there is no silver bullet. I don't even subscribe to the fact that technologies are disrupting businesses. Growing networks and globalisation have helped organisations build resilience through collaborative partnering, for a variety of reasons, spread across the entire gamut of activities within.

Today's technologies continue to surprise many, not just because they are new, but because they are helping us – finally – find answers to vexing questions that have been around for too long. I would therefore be quite sanguine in pronouncing adverse absolutes for companies which aren't perceived as early adopters.

Relevance and utility value supersede the modernity of any technology. Hence 'backcasting' the business model, starting with outcomes in mind and then tracing back into the organization, would enable the identification of the right combination of input-factors (labour, capital, technologies, tools, systems, infrastructure, policies, operating models, workflows, etc.). Eventually, the strategic pursuits of an organisation are about revenue growth, resilience and sustainability. To that end, any and all inputs have to pass the test in being able to contribute directly to these goals.