

## Technology – enabling and thriving in a VUCA world

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(3 min read)

### Key takeaways:

- *Companies that have paired emerging market opportunities with an ability to execute at scale have been rewarded with attractive valuations.*
- *The stage is set for a digital transformation of operations including manufacturing, supply chain, logistics, and other back-office services*

The term VUCA was coined to describe volatility, uncertainty, complexity and ambiguity of the world after the cold war. The world has become significantly more interconnected since then, and crises rapidly became all-encompassing and global, as is evident from the global financial crisis and COVID-19 pandemic.

While trade and supply chains have played a major role, the technology sector can be credited with the most transformative impact on global integration. The advent and proliferation of computing, IT services outsourcing and offshoring, e-commerce and platforms, and now digital transformation and disruption across industries, have been transformative and profoundly changed the world around us.

The past two years have been a defining time period where the best-laid business continuity plans have disintegrated in a spectacular fashion. However, what was impressive was how large swathes of the formal economy were able to transition to a remote and then hybrid environment. Technology played a singular role as an enabler (think laptops, connectivity, collaboration, security, etc.). However, and more importantly, the information technology enabled services (ITeS) and global capability centre (GCC) sectors were the bedrock for most other sectors including financial services, retail, government and several others. The technology sector and GCCs were early proponents of laptops, mobility, remote working and flexible hours which was quite prescient in hindsight. Especially in India where the nation-wide lockdown announcement meant that several organisations including KPMG in India had to transition to remote working practically overnight! As nations limp back to normalcy, companies are rethinking the future of work, but several are embracing hybrid models as a trend that is here to stay.

The internet and the resulting disruptive business models spawned several unicorns and catapulted technology companies to among the most valuable in the world. These companies have leveraged technology and platforms to successfully create app- and subscription-based models, cutting across transportation, media and entertainment, education and commerce, to name a few. These trends have accelerated and been further strengthened in recent times with consumers embracing contactless

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technologies and a digital-first channel for consumption. Companies that have paired emerging market opportunities with an ability to execute at scale have been rewarded with attractive valuations. Most of India's 67 (and counting) unicorns have been the beneficiaries of this changing customer behaviour, spanning diverse categories including financial technology (FinTech), transportation, commerce, education, hospitality, software as a service (SaaS) and even food delivery.<sup>1</sup>

However, consumer applications are simply scratching the surface of the transformation potential for digitalisation. The stage is set for a digital transformation of operations including manufacturing, supply chain, logistics and other back-office services. This will unlock significant value by increasing efficiency, reducing leakage and improving visibility. The technology sector including established companies as well as startups are developing a wide variety of use cases incorporating:

- Internet of Things (IOT) and edge computing to transform manufacturing
- Sensors, blockchain and smart contracts/decentralised autonomous organisations (DAO) to transform supply chain/logistics
- Multiple SaaS platforms focused on back-office applications.

On the consumer front, trends including 5G-enabled low-latency use cases, mixed-reality devices and connected/smart consumer technology hold significant promise.

While these applications are in advanced trials globally, India is also set to build on the success of the unified payment interface (UPI) model in FinTech, with additional regulatory/industry innovations, including account aggregators (financial services), blockchain-enabled letters of credit (financial services/trade/supply chain) and health ID by the National Digital Health Mission (healthcare/insurance). The use of machine learning and artificial intelligence tools on these data streams would unlock further value creation. While the adage that change is the only constant holds true today, the possibilities offered by technology are truly exciting.

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<sup>1</sup> India adds 28 unicorns in 2021 to take total to 66; over 3.3 lakh people employed: Nasscom, Business Today.in, 25 October 2021