

# THE DIGITAL JOURNEY

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Digital is fast becoming the major driving force of modern business. While some see new digital technologies as creating fresh forms of thinking, planning, and execution that are urgently needed if a business is to survive in the new millennium, others see the same technologies as an evolutionary morphing of businesses.

However, one thing is clear: board-level appreciation and commitment to this game-changing movement are critical in today's business landscape.

## GETTING PRAGMATIC

Most directors and executives have long understood the value of technology. For decades, they have used information technology (IT) to improve company performance and extend the reach of products or services.

The more progressive companies have sought to re-engineer business processes and realign organisational structures in conjunction with the adoption and implementation of new technologies so as to reach new heights of performance and growth.

So, in a sense, it is easy to dismiss the current buzz around “digital disruption” as merely a resurgence of the “dotcom wave” that, in the late 1990s, locked the business world in a state of trance – and eventually led many to corporate disaster.

The difference this time, in my view, is that recent disruptive technologies such as cloud computing, social media, mobile, data analytics, artificial intelligence, and robotics are coming together in ways that are fundamentally transforming businesses.

The bewilderingly fast-paced development of these technologies – and their almost frantic integration into the systems and structures of the millennial company – is creating an unprecedented level of access to constantly changing information that is sourced from, and richly delivered to, customers and other parties through a multitude of systems and devices with simplified transactional capabilities.

In turn, this is creating new revenue generation opportunities in direct and indirect ways, making obsolete the old ways of doing business.

The ripples spread further. The digital revolution is causing many to question the age-old philosophy of “focusing on your core competence”. When a company’s core competence becomes commoditised, it needs to look for new and more effective ways to

serve its existing customers – or find new customers. In other words, the company needs to also change its business model.

## TWO DIFFERENT APPROACHES

In this context, companies and their boards have tended to take one of two approaches in their digital journeys: evolution or revolution.

Evolution capitalises on technology to improve an existing product or service in a way that delivers a differentiated experience or outcome. An example is Adidas' new intelligent soccer ball that is connected to a smartphone that tells the footballer everything he needs to know about how to improve his kick. (It's also a great soccer ball!)

Digital evolution is also fundamentally changing the way internal processes work.

For example, to remedy earlier problems, one Asian conglomerate uses drones with analytics intelligence to monitor, analyse, and report on the quality of its crops.

Revolution, on the other hand, creates new markets and opportunities that did not exist previously. Uber and Airbnb are prime examples: they have created new markets for cab services and hospitality, both underpinned by technology. In the process, they created a new economic form: the “sharing economy”.

However, revolutions very rarely work well in an established business, because the investment is usually highly speculative. Indeed, growth for these new businesses is often measured in the early years in terms of numbers of participants, and not revenue or profit.

To ease the move towards revolution, many companies collaborate with others. For example, Roche, which aspires beyond traditional pharmaceuticals, has partnered providers like Qualcomm to grow its diagnostics business in the connected health arena.

Operating within a digital network with ecosystem partners is becoming an increasingly important driver of major revolutions.

## A STRATEGY FOR BOTH

For many established companies, the board should challenge management to craft a strategy for both evolution and revolution.

An evolutionary approach is useful to ensure incremental growth in the established business where major decisions tend to be top-down. Here, the board needs to encourage management to drive innovation and innovative processes as far down the company as it can, without destabilising the existing business.

At the same time, it is important that the company pre-empts its own digital disruption. There is no reason why the same technology breakthroughs that set the foundation for innovative start-ups cannot be adopted by the old guard.

However, the revolutionary aspects of digital transformation usually require non-traditional work approaches. Specifically, they need a very different type of workforce mix that is driven by new performance metrics and an appetite for longer-term returns.

For this reason, some companies use a separate corporate vehicle, or a separate organisational unit that is free of traditional operating restraints, to pursue digitally disruptive initiatives.

The point is: the pace of change in market dynamics and technology use will only get faster. In a digital economy, the need to constantly learn and to re-steer and re-invent is no longer just a desirable business school concept; rather, it is now a fundamental survival trait for companies. ■