Be Digital Ready

How digital technology is disrupting your business and the nine things you need to do about it.

Simon Waller

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Are you digital ready?

At some time during the first decade of the 21st century there was a fundamental shift in the way that business was conducted. The beginning of the 21st century was still an era of analogue business. Meetings were conducted face to face, deals were done on handshakes and contracts were sent by Australia Post and people paid by cheque.

But by 2010 business was fundamentally different than a decade earlier. We had started networking on LinkedIn, we were hosting meetings on teleconferences or using Skype, contracts were typed up (often without the help of a secretary) and sent via email, and people paid by direct funds transfer. By 2010 we had entered the world of digital business.

In a world of digital business the channels in which we conduct business are fundamentally digital ones. As a result there has been a significant shift away from trying to shoehorn new digital processes into our existing analogue systems to a situation where we are now trying to fit our legacy analogue processes into our new, faster, cheaper and simpler digital systems.

The importance of digital technology is well understood by most CEOs. In fact research conducted by Price Waterhouse Coopers as part of their 17th annual CEO survey showed that 91% of CEOs believe that technology will be the single biggest trend transforming their business[1]. But for many organisations there is a significant gap between the potential and the reality of digital technology and they face a number of challenges to becoming digital ready.

Challenge 1: Digital projects under perform

Technology has a history of underperformance. Research conducted by McKinsey and Oxford University suggests that on large scale IT projects (greater than $15 million) the average cost overrun is 45%, time over run is 7% and benefit shortfall is 56%[2]. As a result it is often challenging to justify the investment of limited time and financial resources for new technology projects.

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[1] http://www.pwc.com.au/about-us/ceo-survey/

[2] http://www.mckinsey.com/insights/business_technology/
delivering_large-scale_it_projects_on_time_on_budget_and_on_value

Challenge 2: Expertise is hard to come by

For small and medium size enterprises (SMEs) with limited resources the IT department may consist of one or two employees focused on maintaining the existing systems. In some businesses IT may be outsourced all together. As a result many CEOs don't have access to the independent digital expertise to help the identify, assess and implement against digital opportunities.

In fact, according to research conducted in 2013, three in five Australian SMEs claim that low digital literacy is preventing them from running their business more efficiently yet only half have done anything to try and improve their digital literacy[3].

Challenge 3: The digital landscape is changing too fast

Over the last decade or so we have quickly shifted from a digital desert with limited technology choices to a digital rainforest where the variety of options is often overwhelming. Both the variety of options and the rate of technology change can be paralysing. It is often difficult to justify the investment in new technology today when it may be obsolete within two years.

We are avoiding digital technology

These three challenges have led to a sense of apathy in many organisations. Either consciously or unconsciously the challenges of digital technology have led to either limited adoption of new technology or even active avoidance.

Instead of engaging with new technology as it emerges and identifying new opportunities organisations are instead waiting for a perfect solution that may never come.

Unfortunately this approach is leaving many organisations open to disruption. The power of digital technology continues to increase at an exponential rate and businesses that adopt digital technology have a distinct advantage in regards to speed, cost and the ease of business.

As the speed of change continues to grow it is more important than ever before for organisations to take a proactive approach to building the internal capabilities that will prepare them for 21st century digital business.

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[3] Digital Literacy Among Small Businesses in Australia - www.paypal-media.com/assets/pdf/fact_sheet/ PayPalResearch_DigitalLiteracyAmongSMBsinAustralia.pdf

The big and small challenge of digital disruption

By providing opportunities to make work faster, cheaper and simpler, each and every new digital technology provides for a small but significant opportunity to shift the power and value of individuals and organisations.

Sometimes this will be experienced as a shockwave that redefines their position and threatens their very survival. Managing this is the big challenge of digital disruption.

Sometimes the introduction of new technologies may result in opportunities to speed up or improve just a few core processes. Identifying and implementing against this opportunity and remaining competitive in the marketplace is the small challenge of digital disruption

For example, email and other forms of electronic communication is wrecking havoc with postal services across the globe, undermining the economies of scale that they have traditionally relied on and ultimately require) to operate an effective service. But for most businesses the impact of electronic communication been more operational than strategic.
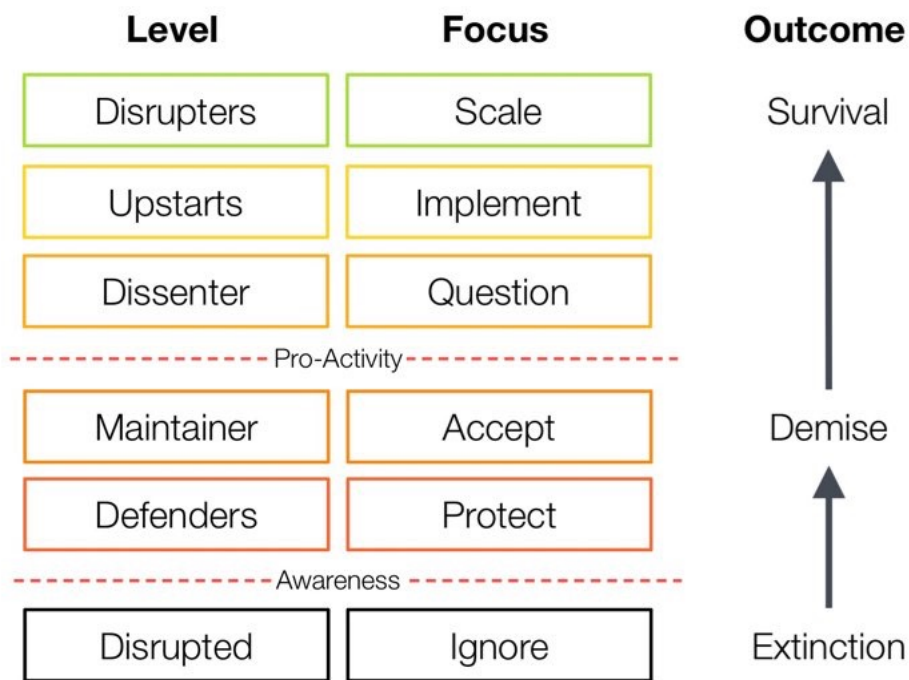
Electronic communication has resulted in a reduction of administrative functions such as typing pools and secretarial services and a simplification of communication flows. Although not strategic in nature, the impact on communication in terms of speed, cost and effectiveness meant that organisations couldn't maintain their competitiveness unless they adapted to this disruption.

Evidence of this can be seen in recent research conducted by MITSloan and Capgemini Consulting. In their recent research report *The Digital Advantage: how digital leaders outperform their peers in every industry* they showed that digital leaders are 50% more profitable than digital laggards across a wide variety of industries. And that the difference is largely attributable to how organisations do things, not what they do[4].

For the most part organisations have taken a reactive approach to these challenges. But as the speed and impact of digital technology continues to grow organisations (and especially senior management) need to move from a mindset of avoiding digital disruption to a mindset of being the disruptor. They need to be actively looking for ways to disrupt their own practices before someone else does it for them.

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[4] 4 MIT's Center for Digital Business and Capgemini report "The Digital Advantage: how digital leaders outperform their peers in every industry" http://www.capgemini.com/resource-file-access/resource/pdf/The_Digital_Advantage__How_Digital_Leaders_Outperform_their_Peers_in_Every_Industry.pdf

Level	Focus	Outcome
Disrupters	Scale	Survival
Upstarts	Implement	
Dissenter	Question	
- - - Pro-Activity - - -		
Maintainer	Accept	Demise
Defenders	Protect	
- - - Awareness - - -		
Disrupted	Ignore	Extinction

The Disruption Spectrum

The Disruption Spectrum is a simple way of understanding where both individual and organisation currently sit in terms of their approach to digital innovation.

At the bottom of the spectrum are **The Disrupted**. The Disrupted either consciously or unconsciously ignore digital technology and are unaware of its potential impact. For SMEs this lack of awareness is often a result of digital expertise being unavailable internally. This may be because IT is operated as a cost centre or it has been outsourced entirely. The traditional focus of IT on maintaining security, maximising stability and reducing cost is increasingly irrelevant in a world of digital innovation.

The Defenders may have the awareness to identify potential threats but make the decision to protect old technologies and old processes from new ones. The Defenders divert scarce resources away from

innovation towards protecting the status quo. This ultimately results in a culture of group think and discourages innovation. Although the Defenders may manage to achieve short term financial gains by protecting the 'cash cows' of the organisation it is likely to result in a abrupt and rapid disruption as they don't have the resources or culture to adapt when required.

The Maintainers see the need for digital technology but don't see it as being core to their business. As a result they generally take a reactive approach to new technology integration and implement on a need to rather than a want to basis. They may accept that digital disruption is inevitable and may even see that it is beneficial but it will always sit in their peripheral vision and will never be pursued actively.

The Dissenters are the catalysts for change, they may not always be able to provide the alternative but they are willing to
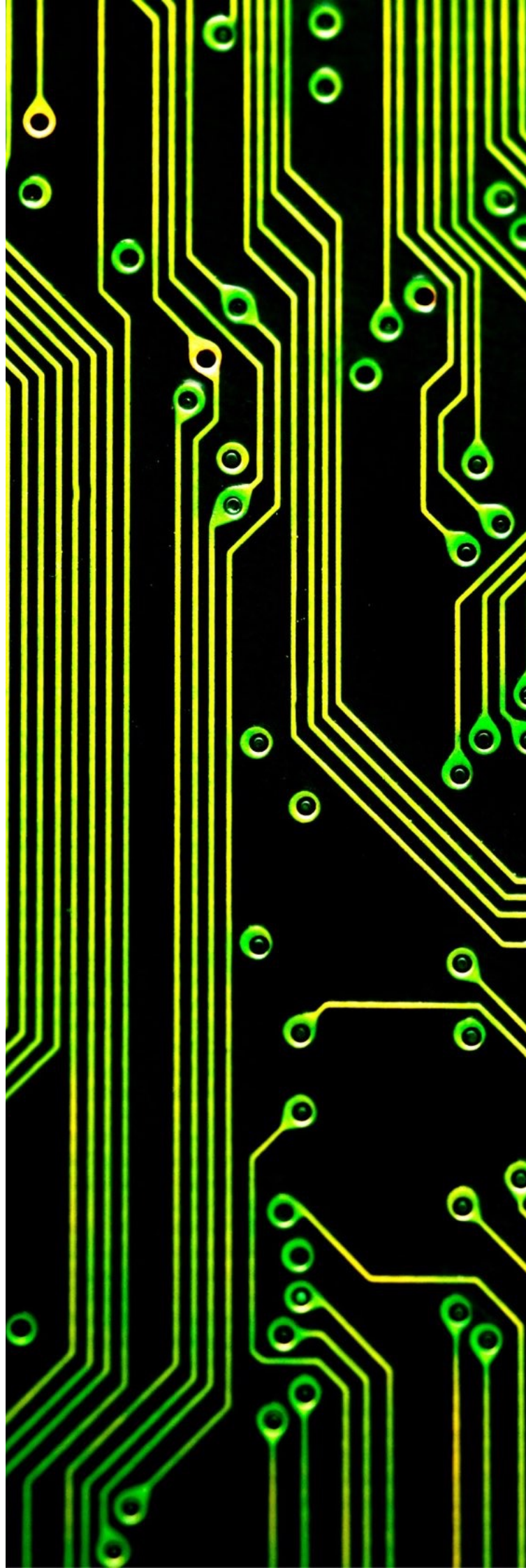
question the status quo. Dissenters are driven by curiosity and by a belief that there is always an opportunity to do things faster, cheaper or simpler then they are currently being done.
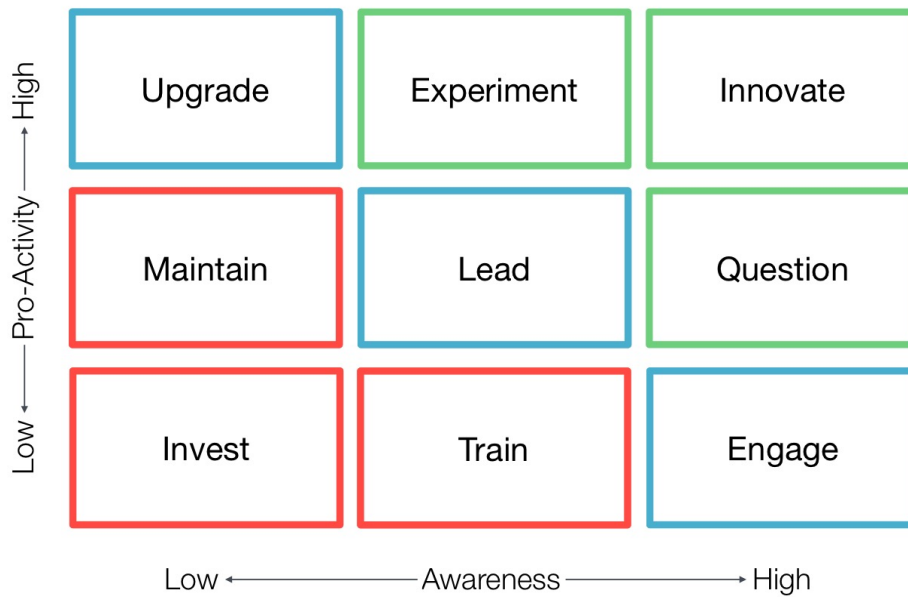
The Upstarts feed off the opportunities identified by the Maintainers but are also willing to test and implement alternatives. Upstarts bring together the awareness to question, the ability to execute and the confidence to act. The Upstarts operate in a state of constant beta but their constant willingness to proactively adopt and apply new technology means they operate at a level of productivity and effectiveness that most could only dream of.

The Disrupters are changing the way we do business. In addition to the awareness, ability and confidence of the Upstarts, the Disruptors also have the resources to scale. They are unlikely to be the biggest player but they are definitely the most innovative. They may have begun as a Dissenter or and Upstart but managed to reach a critical scale while flying under the radar. In a virtuous cycle their innovative approach to business means that they are often early adopters of digital technology and their early adoption of technology provides them the opportunity to be innovators in their business.

Perhaps the defining characteristic between those in the top and the bottom half of the spectrum is a realisation that survival is not a state you reach, but rather an ongoing journey that requires proactive change. Individuals and organisations who stay in the bottom half in the spectrum will all face disruption, the only difference is how long it takes and whether they burn out or fade out.

For Maintainers the demise might be slower but it is just as inevitable as the Defenders and the Disrupted. We once believed that if you do what you've always done, you will get what you've always got but the reality is that we are getting less and less. And with the increasing rate of technology change we are now getting less and less faster and faster than ever before.

From investment to innovation

Nine activities to prepare for digital disruption

The only way for SMEs to protect themselves from disruption is to become disruptors. This may start by using digital technology to disrupt their own processes but should ultimately lead to the use of digital to disrupt their competition.

A key aspect of this is the development of digital knowledge and skills internally, not as subject matter experts but rather as a second expertise[5] amongst existing staff alongside their primary expertise. To achieve this organisations need to change their approach to how digital is implemented .

The following models shows the actions that we can take to move ourselves and our organisations up the disruption spectrum.

The model looks at activities across two axis; awareness and proactivity.

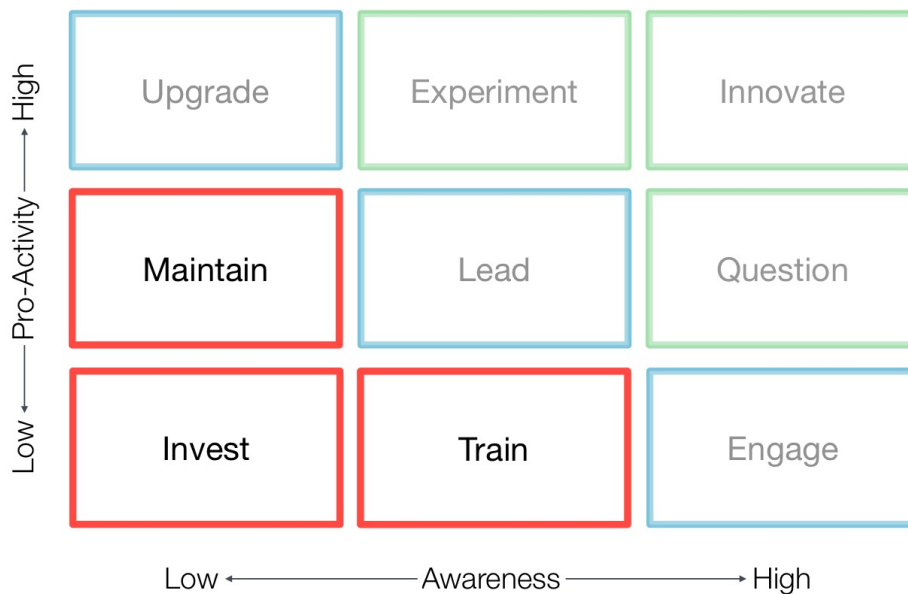Awareness refers to our understanding of what technology does and how it works. As

we move from left to right across the model we have activities that create increasing levels of awareness in the organisation.

Proactivity is the level of activity directed towards change. As we move from the bottom to the top of the model we move from activities that reinforce the status quo to activities that encourage change and innovation.

The activities are divided into three groups. Foundation activities are shown in red, Readiness activities are shown in blue and Growth activities are shown in green.

Over the following pages each of these groups is explained in more detail.

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[5] See the work of Linda Hutchings for more on the idea of second intelligence http://lindahutchings.com/

	Low ← Awareness → High		
High (Pro-Activity)	Upgrade	Experiment	Innovate
	Maintain	Lead	Question
Low	Invest	Train	Engage

Foundation activities
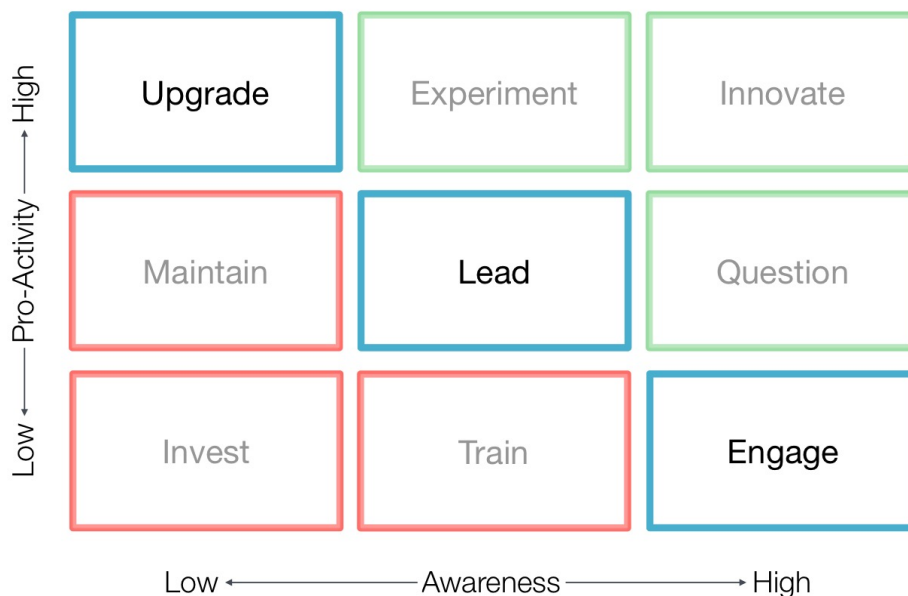
Get the basics right

The three lowest level activities that organisations can undertake are investment, maintaining and training. In a sense these are the foundation activities of most digital programs and most other activities will fail if this isn't done well

Investment simply involves allocating suitable budget for digital activities. Traditionally this has been undertaken with a focus on stability, security and cost but in a world of digital business needs to move to a mindset of opportunity, adaptability and value. A focus on value and the development of a clear business case for investment in emerging technologies would likely led to greater investment in digital activities.

Maintaining actives are those we associate with the traditional IT function. For many SMEs this function has often been outsourced or under-resourced. As a result

IT teams have been fine-tuned to provide a level of support that maintains existing systems but doesn't have either the bandwidth or ability to maintain increasingly complex systems.

Training activities are designed to build knowledge and skills related to predetermined systems. Technology training is well accepted activity in organisations but is often provided on a cost rather than value basis and built for a world of analogue not digital business. As a result it often assumes users have a greater understanding of their digital tools than they actually do. Digital training programs, including both the availability of training and how it's delivered, needs to be updated for a world of digital business.

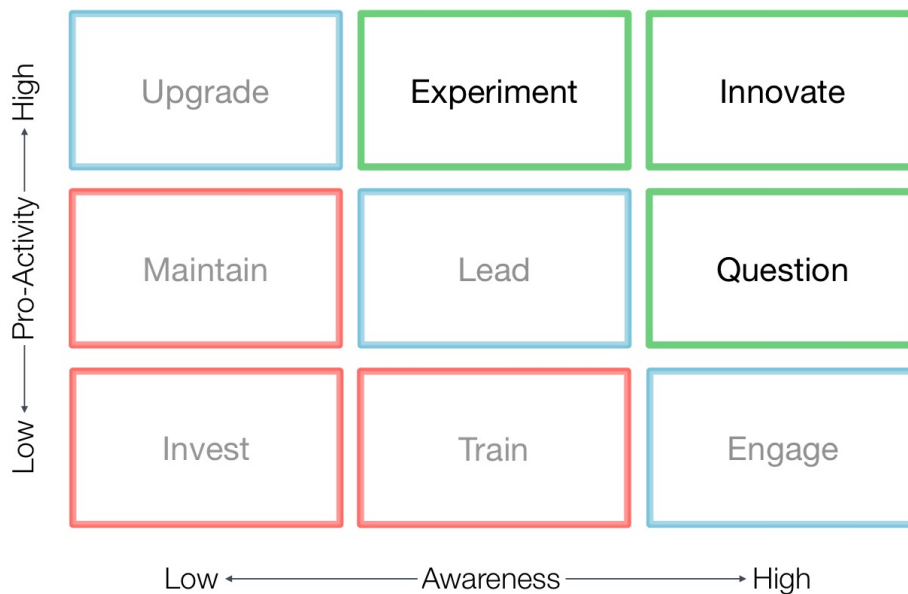|	Low Awareness → High		
High Pro-Activity	Upgrade	Experiment	Innovate
	Maintain	Lead	Question
Low	Invest	Train	Engage

Readiness activities

Build a platform for change

The next three activities that organisations should undertake are updating, leading and engaging. These activities are are focused on getting organisations digital ready. They won't necessarily get your organisation ahead but they will provide the basis for the growth activities detailed in the following section.

Upgrade activities are focused on identifying opportunities to replace older technologies with newer ones. Sometimes this means replacing older IT systems or software but the biggest opportunities are often in upgrading our analogue systems to digital ones. Upgrading comes with risks and a fear of the unknown and as a result many avoid it. But by protecting old technology from newer ones we may may reduce our organisational adaptability and competitiveness.

Leading activities are some of the most neglected activities in digital programs. Digital leadership is about setting a top down example and guiding a positive culture of technology use. It is not important that organisational leaders are the digital innovators but it is important that regardless of the individual challenges they may face that they are visible and vocal supporters of digital technology use.

Engagement is about developing two way communication on both the opportunities and challenges of digital technology. For a long time it was assumed that end users either had little or no choice in terms of what systems they used but organisations are now realising they have far less control than they previously thought. User engagement is now considered critical to the effective use of digital technology in organisations.

Growth activities

Identify opportunities for disruption

The top three activities in the model are the growth activities that will shift organisations and individuals up the disruption spectrum. Experimenting, questioning and innovating provide the basis for understanding how technology works and where it can be continually applied to overcome business challenges.

Experimenting should be encouraged at both a strategic (organisational) and task (individual) scale. Experimenting is about testing digital tools without having a clear understanding of the application. The knowledge that is developed from experimentation ultimately feeds into an organisations innovation activities.

Questioning activities take a structured approach to assessing the way we currently do things and looking for alternatives. They are designed to overcome the inertia of the

status quo and finding practical opportunities for where digital technology could be applied to make the way we work faster, cheaper or simpler.

The objective of innovation activities is to bring together organisational challenges and digital expertise to identify opportunities for competitive advantage. Like experimentation, innovation need to be encouraged at both a strategic and scale as digital disruption is impacting both 'what we do' and 'the way that we do things'.

The future is already here, it is just not evenly distributed yet.

William Gibson

Summary

We are now adding more computing power each hour than we did in the first 90 years of the computing age. Now more than ever before we need to focus on activities that will build the internal capabilities that will allow businesses to continue to grow and evolve in a digital age.

These nine priorities are essential for business survival and it is no coincidence that leadership sits in the middle. Central to organisations addressing this change is digital leadership and the ability of CEOs and other organisational leaders to manage both the big and small problem of digital disruption.

You might want to consider these five questions in assessing where you and your organisation are currently at.

Five Questions

1. Where do you and your organisation currently sit on the disruption spectrum?

2. How well does your organisation currently executes against each of these nine priorities?

3. What are the gaps that you need to address to move from investment to innovation?

4. What activities are you currently undertaking to fill those gaps?

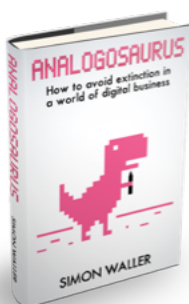5. Do you currently have access to the right digital knowledge and skills inside your organisation?

About
the author

Simon is passionate about making work better and believes that digital technology will revolutionise the way we do our work. Simon has no format IT experience, everything he knows is about business. As a result he focuses on finding business problems that could benefit from digital solutions (not digital solutions looking for a problem).

Apart from writing, Simon is also a conference speaker, facilitator, trainer and digital coach. He runs training programs for organisations and provides one to one coaching that helps people work more efficiently, at lower cost whilst producing better outcomes. But most importantly Simon helps people be more human in a world of digital business.

You can find out more about Simon at simonwaller.com.au or contact him on simon@simonwaller.com.au.

Simon's first book *Analogosaurus: How to avoid extinction in a world of digital business* is due out in early 2015.