Champions of Disruption

How digital disruption is impacting your business and what you need to do about it.

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About
the author

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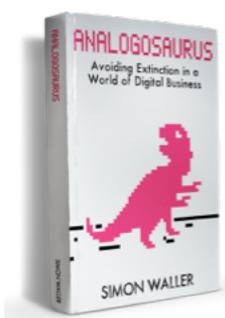
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simonwaller.com.au/ analogosaurus

Change has become disruption

At times it seems 'digital disruption' has become the most overused phrase in business. For many it is hard to distinguish between the idea of 'disruption' and good old fashioned every day 'change'. After all, digital technology is not new, for most businesses it has been around since at least the mid 1990s (and some might be able to track their use of digital technology back another 30 years before that). So what is so different about what is happening now?

To determine whether the technology driven change we are seeing now is fundamentally different than the 'normal' change we have seen in the past, there are two factors that we might want to consider. The first of these is the *speed of change* and the second is the *magnitude of its impact*.

The speed of change

The speed of change is perhaps one of the hardest things to get our heads around because changes in digital technology are exponential rather than linear in nature. We are good at understanding linear change because the change we have seen in the past is a good indication of what we will see in the future, but with exponential change this is not the case.

One of the best illustrations of how they differ comes from the founder of the Singularity University, Ray Kurzweil. He points out that if we take 30 steps in a linear fashion we will move about 30 metres, but if we take 30 steps in an exponential fashion (where each step is twice as big as the last) we will move about 1 *billion* metres.

This is the equivalent to walking to the moon and back.

Now lets translate this back to the growth in computing power over the last couple of decades. If each step is representative of one year most businesses are about 20 steps into their digital journey. Based on the power of exponential growth this means that the total change we have seen over the last 20 years represents less than 1% of what we will see in the next 10 years.

In effect digital technology will become 100x more powerful in the next decade than everything we have experienced to date.

The magnitude of impact

In the early days of this digital revolution we had a fairly narrow view of what technology could do, and subsequently, which jobs it would impact. We generally understood that computers were good at managing numbers

and we were fairly happy to see our accounting systems and other calculation intensive processes get digitised. We were also fairly comfortable with the deployment of robots in highly repetitive and potentially dangerous manufacturing processes.

What we didn't necessarily realise was:

1. Digital technology was potentially better than us at almost ALL information intensive tasks.

2. From building relationships to working with others, designing products, ordering materials (or just about any other part of our jobs), almost ALL the work we do involves the creation, use or sharing of information[1].

I expect that this last point might be a little confronting. It implies that we are all potentially replaceable by technology. This is not entirely true (at least for now) because although most of our work is information *based* it is not necessarily information *intensive*[2].

So although some jobs may be fully automated we are likely to experience most jobs being automated in part. In fact recent research by McKinsey's suggests that about 60% of current occupations could have 30% or more of their activities automated by adapting currently demonstrated technologies[3].

History shows us that the exact impact of technology is often difficult to predict. But given that technology will become 100x more powerful over the next decades it will surely have an extraordinary impact on the business landscape and be key to the success or failure of many organisations.

In the words of technology commentator Kevin Kelly:

"We're just at the beginning of the beginning of all these kind of changes. There's a sense that all the big things have happened, but relatively speaking, nothing big has happened yet."

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[1] For more on this I can highly recommend the book Exponential Organisations which shows that even our natural world and biological systems are largely information based.

[2] That being said, certain professions are incredibly information intensive and process driven. Research shows that jobs in these professions, such as accountancy and certain aspects of the legal profession, face a far higher chance of automation. As a simple rule, if a profession has developed a reputation for low levels of creativity and interpersonal skills then they may be at a higher risk of automation.

[3] http://www.mckinsey.com//Insights/Business_Technology/ Four_fundamentals_of_workplace_automation?cid=digital-eml-alt-mkq-mck-oth-1511

If the rate of change on the outside exceeds the rate of change on the inside, the end is near.

~ Jack Welch

Digital is driving success

It is fair to say that based on the speed of change and the magnitude of impact, the term 'digital disruption' is an appropriate one. In fact the impact is already being felt by many small and medium sized businesses (SMBs).

Almost irrespective of industry, businesses are seeing increased competition and shrinking margins as a direct result of digital technology. Firstly it has opened up a global marketplace allowing customers to compare product and service offerings from competitors around the world.

Secondly it has also shortened supply chains allowing suppliers to transact quickly and easily with the end user and in doing so reduce costs. Thirdly, it has lowered the barriers to entry and made it easier for new, digital savvy competitors to get a foothold in the marketplace.

In fact research by Capgemini and MIT's Sloan School of Management shows that irrespective of industry, organisations that are leaders in technology investment and managing digital transformation significantly outperform their peers. Their research shows that on average digital leaders are 26% more profitable and generate 9% more than their industry average. In comparison, digital beginners generate 4% less revenue and are 24% less profitable than their peers[4].

This means almost 50% of profit is riding on an organisations approach to technology. With this type of return at stake the real question is why aren't ALL organisations seeking to be more proactive when it comes to digital technology?

Unfortunately many organisations are yet to fully embrace the need for anything more than slow incremental technology change. But without a significant change in mindset there is a very real risk that they will find themselves on the wrong side of disruption.

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[4] The Digital Advantage:How digital leaders outperform their peers in every industry https://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	Ongoing Survival
Upstarts	Implement	
Dissenters	Question	
---Pro-Activity---		
Maintainers	Accept	Slow Demise
Defenders	Protect	
---Activity---		
Disrupted	Avoid	Fast Extinction
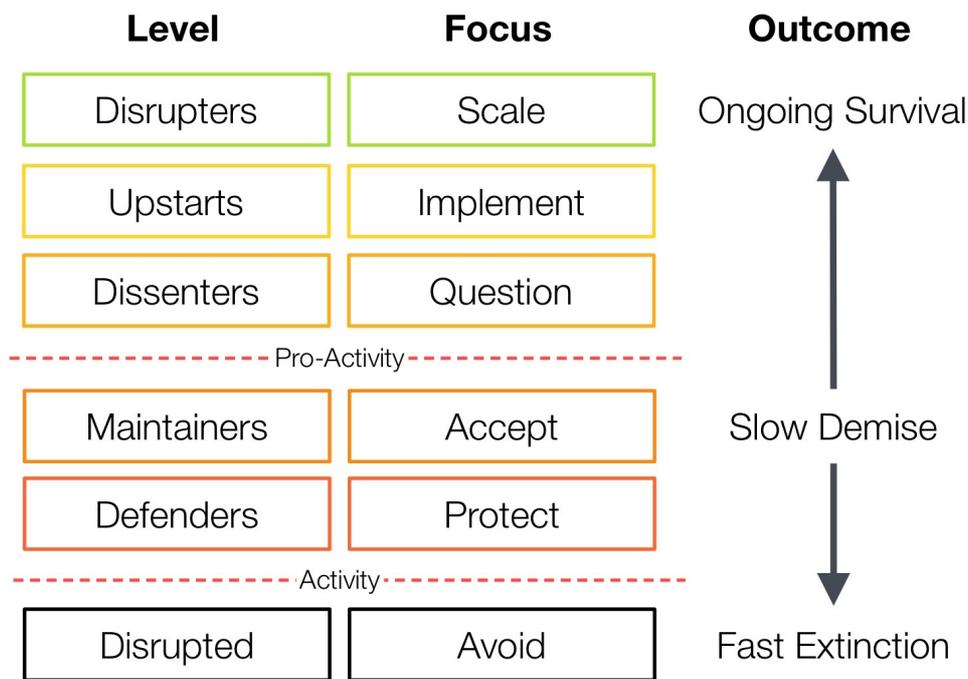
From active to proactive

Up until now most businesses, and especially small and medium sized business, have being taking a relatively ad hoc approach to digital technology. There has been a 'keep the lights on' mentality that means systems have been upgraded when required but there has been little or no structure to identifying new digital opportunities.

To be fair, this approach has served many SMBs well over the last couple of decades. When digital technologies were slower, more expensive and less reliable than they are today, an ad hoc approach was generally good enough.

But over the last decade information technology has changed from a cost to be managed to a potential source of innovation and competitive advantage. Potential opportunities are now so big that an ad hoc approach is no longer adequate.

Over the coming decade ALL businesses are going to require a more proactive approach to the identification and implementation of new digital projects if they wish to remain competitive in a more digital intensive future.

The disruption spectrum

The Disruption Spectrum is a simple way of understanding where individuals (and even organisations) sit in terms of their approach to digital driven change.

At the bottom of the spectrum are the **Disrupted**. The Individuals (and organisations) that are disrupted may be feeling the impact of technology change but are generally ignorant of its cause. This may be because their beliefs and understanding of technology mean they are unable to appreciate its importance.

Defenders may have a level of awareness that allows them to identify potential threats but they make a conscious decision to protect old technologies and old ways of doing things from new ones. In doing so Defenders divert scarce resources away from innovative practices towards protecting the status quo. This ultimately results in a culture of group think that discourages proactive change.

Organisations led by Defenders may manage to achieve short term financial gains by

protecting its 'cash cows' but in the medium to long term they are likely to face abrupt and rapid disruption if they can't make change quickly.

Maintainers may understand that digital disruption is inevitable and even see it as beneficial. What is holding them back is that they generally don't appreciate the speed of change and the magnitude of impact that it will have.

Maintainers often don't see technology as being core to their business, and as a result they continue to take an ad hoc approach to technology upgrades and new digital projects. More often than not these projects focus on satisfying preexisting needs rather than identifying new opportunities.

Dissenters are the catalysts for change. They may not always be able to provide the alternative but they are comfortable with questioning the status quo. Dissenters are driven by curiosity and a belief that there is always an opportunity to do things faster, cheaper or simpler then they are currently being done.

Upstarts feed off the opportunities identified by the Dissenters but have the digital savvy to test and experiment with alternatives. Their willingness to proactively adopt and apply new technology means they operate at a level of productivity and effectiveness that many others in their organisation could only dream of.

At the top of the spectrum are the **Disrupters** who are changing the way we do business. In addition to the awareness and digital savvy of the Upstarts, the Disruptors also have the business acumen to create change at scale.

In a virtuous cycle, the Disrupters' willingness to adopt new technologies early and learn from their application means they are also in a better position to identify the next generation of digital opportunities more quickly than others.

Its about survival

On a day to day basis we don't necessarily consider that our survival is not guaranteed but as scientist Carl Sagan points out in nature 'extinction is the rule, survival is the exception'.

To position our organisations for long term survival there are times where we will need to move up and down the spectrum and take on the different roles described above. It is like a see-saw where we move up to identify new opportunities and then down again as they are incorporated into the organisation. With the exception of the Disrupted, it is arguable that all these roles have a place in the modern organisation.

It is fair to say though that most organisations currently have a bias towards defending and maintaining mindsets but as digital driven change becomes more rapid this is unlikely to serve them well. In fact an inability to consistently identify and implement new technology driven opportunities will ultimately result in them becoming uncompetitive relative their peers.

To survive in a world of digital disruption organisations will need to do more than just develop a healthy respect for the Dissenters, Upstarts and Disrupters in their organisations, they are going to need to actively develop them.

Business Focus

CEO Driven · User Driven

Champion Driven

Vendor Driven · IT Driven

Ad hoc · Proactive

Technology Focus
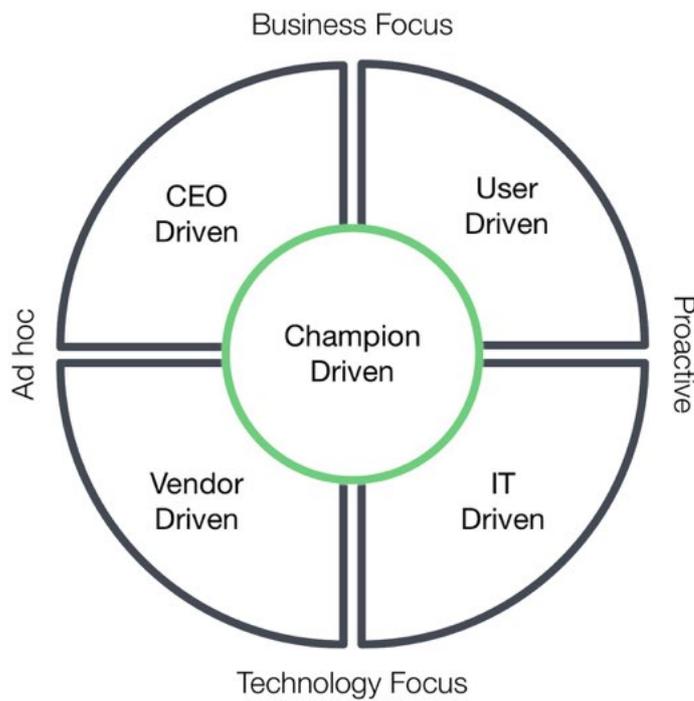
We need to develop digital champions

Digital technology projects have a bad reputation for running over budget and under performing. In fact research by McKinsey suggests that, on average, large IT projects run 45% over budget, 7% over time and deliver 56% less value than predicted[5].

When McKinsey looked at the underlying cause, they found the number one cause of these failures was that projects did not have a clear business case. Fundamentally, the people designing and delivering the projects either:

A. Had a strong understanding of the technology but a limited understanding of the business.

B. Were consultants, contractors or vendors who didn't understand the idiosyncrasies of the customers organisation.

C. Both of the above.

Many organisations have been relying on the wrong people to define and deliver their digital projects. Organisations still need access to niche expertise and advice and the flexibility to hire in short term labour but you don't want people like this in charge of your projects (or even worse, deciding which projects you should be doing).

Unfortunately many SMBs currently lack knowledge, commitment and skills to change to their approach and instead rely on a narrow perspective when choosing which projects to pursue.

There is a general belief that IT should be in charge of such decisions but in most organisations this is not what they are rewarded for. IT is generally rewarded for maintaining existing systems at low cost rather than identifying innovative opportunities for the future.

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[5] Delivering large-scale IT projects on time, on budget, and on value:
http://www.mckinsey.com/insights/business_technology/
delivering_large-scale_it_projects_on_time_on_budget_and_on_value

Although it would be great if IT had a better understanding of the business need and was more proactive in identifying new opportunities but in the absence of this then what?

The executives engagement in IT projects is more often than not limited due to commitments elsewhere in the organisation. Vendors are generally biased towards finding problems for their predefined solutions and end users generally lack the knowledge and structure to adequately assess the viability of potential opportunities.

What is needed is someone who can understand and balance these varying needs. The executive's need for return on investment, the user's need for usefulness and usability, IT's need for stability and security and even the vendors need for structured implementation and long term revenue.

To do so they need to be able to communicate and influence with business side stakeholders as well as the technology side ones. They need to get the business first and the technology a close second. They will also need the resourcing to proactively identify new opportunities and a structured approach to ensure they are assessed and implemented effectively.

The time for digital champions

According to McKinsey, the number of Chief Digital Officers (CDOs) in the world is growing at 200% per year. CDOs are taking a focus on digital to the very top of organisations and this extraordinary growth reflects an increasingly proactive approach to digital technology by large organisations.

Although CDOs can fill a number of different functions they are often tasked with facilitating the adoption of digital tools by the organisation. They understand the business need first but the technology a close second. They are advocates of the end user but can also communicate effectively across stakeholder groups.

In smaller organisations, budgetary and resourcing constraints mean a full time CDO is unrealistic. For SMBs this is the role of a Digital Champion. Someone who can provide a similar set of skills on a part time basis.

Whereas the IT department might be considered the builder of digital solutions, the Digital Champion is the architect. Through an intimate knowledge of how the technology will be used the Digital Champion works with the CEO and end users to determine what is possible and define practical solutions to meet their needs.

As the impact of digital technology continues to grow the role of the Digital Champion will become one of the most important roles in the modern organisation. Unfortunately for many small businesses finding and hiring a Digital Champion will be a difficult, and perhaps even unadvisable proposition. Difficult because people with the digital champions skill set are both rare and in demand, and unadvisable because you ultimately will want them to know your business intimately.

Most SMBs will be left with little choice but to develop their digital champions themselves. This may sound like a challenging proposition but unless they do so the digital projects that get implemented may not be the ones that are most needed and potentially valuable projects may not be identified at all.

You no longer need a digital strategy, you need a business strategy for a digital age.

~ PwC

Your champion's champion

The rapid growth in the number of Chief Digital Officers around the world hasn't happened by accident. It is a direct result of the CEO and executive identifying a need and resourcing it. In much the same way the development of Digital Champions will require the direct intervention of key decision makers. If SMBs genuinely wants to develop these capabilities and start taking a proactive approach to digital opportunities there is a clear need for the CEO or the executive to champion the role of the Digital Champion.

Firstly, the support of the executive brings legitimacy to the role. There is a good chance that a potential digital champion is already playing this role in an unofficial capacity. They may be well known for their digital savvy and already provide advice and support to others. But without the explicit support of the executive this will always remain an ad hoc and unstructured approach.

Secondly, the digital champion will require resourcing. The thorough identification,

investigation and implementation of digital opportunities will take time and effort and the implementation of new solutions will not be without cost. It is the Digital Champion's role to justify the investment but the executives role to fund it

Thirdly, the executives input will be required to prioritise the digital opportunities that are identified. The explosion of digital tools and platforms over the last 10 years means that there are many more opportunities than resources to implement them. The right projects should involve limited effort, reasonable returns and be clearly aligned with business objectives.

Finally, support from the executive provides influence. Over the medium to long term the influence of the Digital Champion should be a result of the outcomes they generate. But in the short term the support of the CEO or executive may be required to build support for both the role of the Digital Champion and the projects they are implementing.

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

~ William Gibson

Summary

We are now adding more computing power each and every hour than we did in the first 90 years of the computing age. This extraordinary growth in technology potential means that the ad hoc approaches of the past are no longer suitable. Organisations are going to need both a more proactive and business focused approach if they are going to remain effective in a world of increased digital disruption.

To do this they need to focus on developing the internal capabilities that will allow them to continue to identify and implement digital opportunities. This is the role of the Digital Champion and it may just be the most important role that doesn't exist in your organisations.

Digital Champions will not develop organically. It will require the direct intervention from the CEO and executive to give the digital champion the support and resourcing they need to be effective.

Research has shown that the financial impact of digital technology can be extraordinary but ultimately this is a choice whether your organisation is going to be the disrupter or the disrupted in a technology intensive business environment.

Five questions to ask yourself

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

2. How well does your organisation currently identify and execute digital projects?

3. Who is tasked with promoting the adoption of digital technology in your business?

4. Are you comfortable that your current approach to digital technology is going to be adequate in a world of increasing digital disruption?

5. If you know who your digital champion might be, what are you doing to help develop them?

Need help with the next steps?

The Digital Champions Club

The Digital Champions Club provides a structured approach for SMBs to develop their Digital Champions. Delivered through a combination of one to one expert mentoring and peer to peer learning the Digital Champions Club provides a framework for the identification, investigation and implementation of digital projects that matter to your business

Leading with Technology

Leading with Technology is a training program to help executives maintain effectiveness in a world of too much information. The program promotes a digital first approach to how executives create, curate and circulate information in their organisation and includes hands on training in the practical tools that can increase our information capacity.