

How to change digital disruption from threat to opportunity

EVOLVING INTO AN INTELLIGENT ENTERPRISE



NTT DATA Business Solutions



NTT DATA
Trusted Global Innovator

You will learn from this guide



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SUMMARY

This guide explains, why business could become overwhelmed by digital disruption, and how to address it. While digitalization is often seen as a threat, it can alternatively be an exciting opportunity to reimagine old business structures and evolve into a more efficient and vibrant organization, also known as an Intelligent Enterprise. Rather than radical changes to established business models, digitalization is more often a set of iterative changes across all departments, which makes it possible for any organization to achieve.



WHAT IS DIGITAL DISRUPTION?

You've just seen a competitor launch a game-changing product. It may have taken you by surprise, or it might not be a surprise at all. Perhaps you had the same idea but weren't able to bring it to market quickly enough, or securing buy-in within your organization wasn't possible. Wherever the new opportunity or threat is coming from, if you've sought out this strategic guide, you already understand the power of digital disruption. The challenge is how to make the problem manageable and decide on a strategy so you can be in charge of your organization's future.





HOW TO THINK ABOUT DIGITAL DISRUPTION

Our go-to examples of digital disruption are usually massively popular tech products. You might think of a platform like Uber or Airbnb, businesses backed by venture capital, which can scale incredibly quickly because they don't own physical assets and are free of existing regulation. However, disruption doesn't only occur when an innovative new product captures a huge share of the market. It also occurs when businesses quietly update their internal systems, add small new lines of revenue, and change their work processes and employee behavior. It's also embodied in the changing expectations of consumers as their lives become more complex and less driven by predictable norms. If your industry's game-changing product hasn't yet launched, you aren't waiting for a disruption event that may or may not happen. The disruption is already happening behind the scenes as your competitors gradually improve their productivity.

For example, we know that Ford's success in mass manufacturing is what disrupted the horse and carriage industry, rather than the invention of cars two decades earlier. The innovation that truly made the automotive a disruptive force, was the conveyor belt. By introducing conveyor belts to their factories, Ford was able to finally increase its productivity and lower prices enough to compete with horse-drawn carriages.

For this reason, it's much more helpful to think of digital disruption simply as 'innovation', the process of technological change which has been constant throughout our history. Rather than a one-off shift, innovation is a continual process in every organization, whether it's an established social network competing with a Chinese-developed video-sharing app, or a small retailer selling online for the first time. The difference between innovation then and innovation now is simply its speed. Our modern economy is increasingly Volatile, Uncertain, Complex, and Ambiguous, or VUCA.

Beyond the context of business competition, digital disruption is enabling us to build organizations that operate more sustainably in our changing climate. By using sensors to monitor when an employee enters a room, organizations can avoid unnecessary airconditioning in their office buildings. Imagine how this could apply to the energy resources of an entire warehousing and distribution system.



WHY BUSINESSES ARE OVERWHELMED BY CHANGE

In 2000, video rental chain Blockbuster (then valued at USD 6 billion) fatefully declined the chance to buy digital upstart Netflix for just \$50 million. After realizing their missed opportunity, they launched an identical online DVD rental service in 2004, but a late pivot was not enough to save the business. By waiting to see how their competitor fared, they granted it time to build a loyal customer base who wouldn't return to a physical store.

While it's easy to characterize Blockbuster's executives as out of touch, the reality is that innovation is difficult to predict because we only have our past experiences to draw from, and our attention is consumed simply by keeping our existing business running. For Blockbuster in 2000, their focus was on maximizing late fees and store locations.

Alternatively, even if their focus is in the right place, businesses can easily become victims of disruption by spending too much time designing their next innovation. Netflix and other tech giants succeeded by making continual iterations and occasional pivots. In its early days, YouTube was originally a video dating platform. By building the minimum viable version of their product and conducting testing, YouTube was able to determine early on that their product wouldn't attract enough users or revenue to last in the longer term, and so they had the time and remaining funds to pivot into a video platform for everyone.





HOW TO BECOME AN INTELLIGENT ENTERPRISE

The Intelligent Enterprise journey doesn't merely consist of an upgrade to your operating systems, rather it consists of changing the way that people work. An Intelligent Enterprise, much like an intelligent person, changes their beliefs when they see enough conflicting information. They listen and react to the world around them and adapt their behavior to suit what they cannot change.

In addition to updating your employee behavior, business processes may also need to change, however, this does not always mean a transformation of your entire business model. In most cases, the solution is to make iterative changes so you can gradually transform into what we call an Intelligent Enterprise. In our many years of consulting, we have discovered four principles that our most successful clients all accepted before embarking on their projects.



1. There's Never a Convenient Time

It's tempting to wait for the perfect plan to arise, but this is unrealistic, as most ideas need to be implemented to learn their true value.



2. You Can Only Learn So Much from Competitors

Many factors influence the success or failure of your competitor, but often only a small portion is visible and directly comparable to your business. It's easy to waste time analyzing data that doesn't apply to your situation. Likewise, when too much time is spent analyzing competitors in the same industry, it's easy to miss opportunities to adapt innovations from other industries.



3. Think of the Customer First

Adapting a business to the needs of the customer is much easier than the other way around. Many disruptive businesses were successful because their thinking was more customer-oriented. This sometimes meant providing less functionality, but at a much cheaper price, or allowing customers to customize their product. For example, while Nokia invested its resources attempting to perfect their operating system, Apple succeeded by allowing developers to create apps themselves. Another example of this could be the latest trend to replace real-time phone calls with asynchronous voice messages, which leave it up to the recipient when they would like to take the call.



4. Don't Be Afraid to Reimagine Your Business Model

In most cases, our work is to evolve an existing business process instead of radically changing everything. However, it is still helpful to imagine your business in a completely different scenario from the perspective of someone creating it for the first time. Those hoping to launch a competing business are already doing exactly this after all. In other words, this approach is like taking the perspective of a burglar to get a better idea of how to protect your house. As with a house, you can't rebuild your processes and business model that easily. However, it's useful to question some of your existing assumptions to see, and perhaps organize, things from a different angle.



When rolling out a new strategic project, some often-overlooked principles can make the process far easier.

1. Involve Your Employees

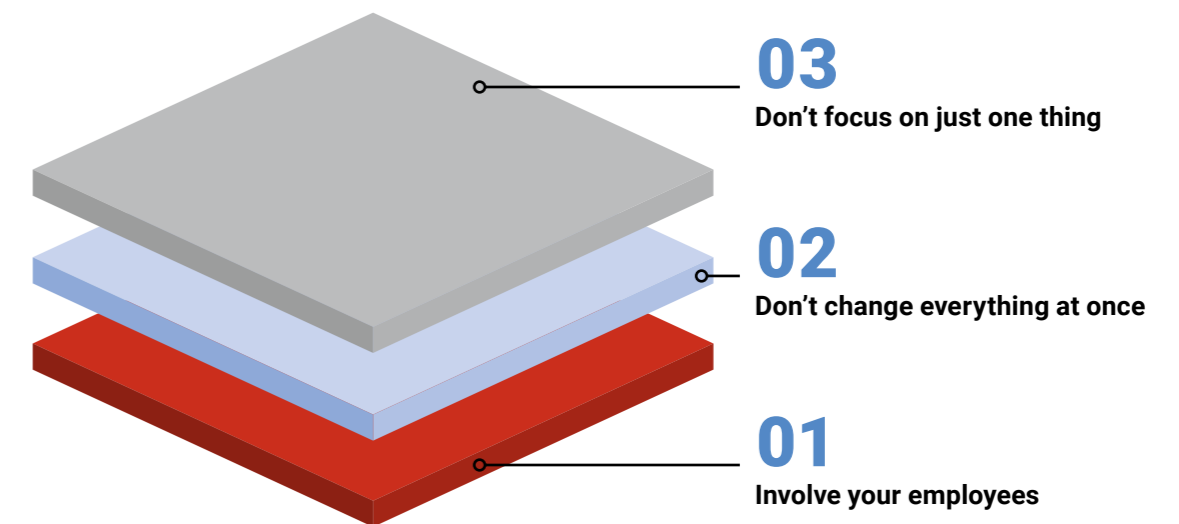
Digitalization doesn't simply involve upgrading your tech, it also requires changes to your employee roles as their time expands for more creative, human-focused tasks. By involving employees from every level and department at the start of your project, you can minimize the fear of redundancy and create stronger morale. Additionally, the people who have the best ideas are usually those who use the existing product/system every day.

2. Don't Attempt to Change Everything at Once

Instead, consider which technologies will make the biggest impact, and focus your attention on these. For example, a chatbot could be a great solution for a retailer who receives a narrow set of enquiries and has very high customer support costs. However, for a B2B organization, this might not deliver a big enough ROI, hence a self-serve client portal may be more worthwhile.

3. Don't Limit Your Success by Focusing on One Thing

It may seem logical to focus on the department of your business, the one that is struggling the most or has the highest costs, but this approach can close you off from some of the biggest opportunities. By evaluating processes and services across all departments, you maximize the chance of finding a breakthrough that significantly improves profitability. Additionally, it's also useful to avoid analyzing each area of your business with the same lens. For example, profitability is not the only way to measure the value of a department.





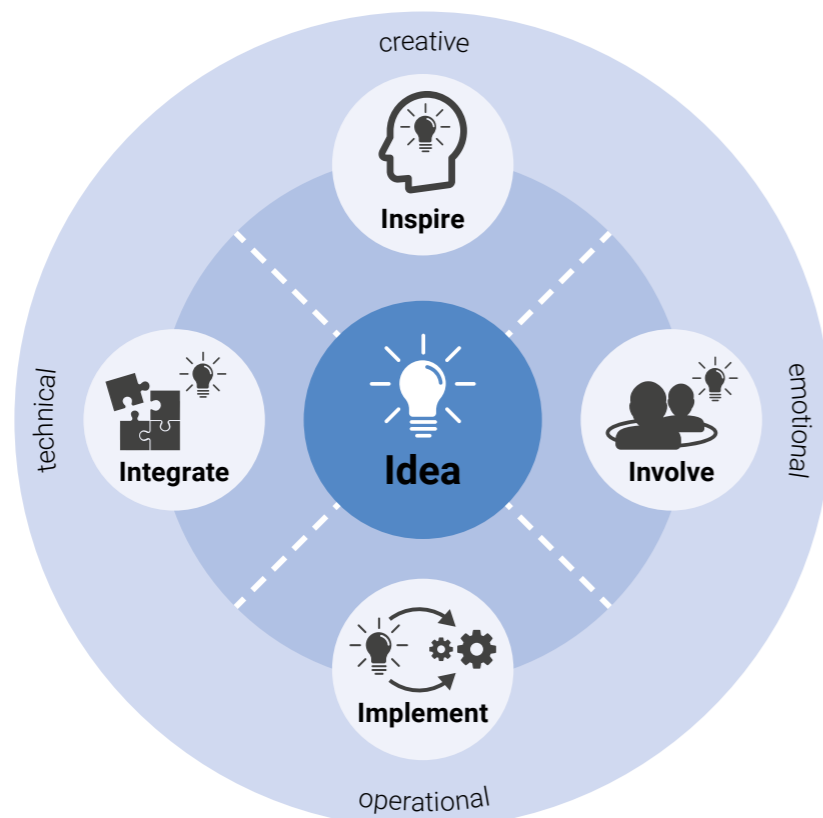
HOW WE CAN HELP

There's no standard path to innovation, so our process and recommendations are different for every client we work with. We need an individual compass before we start. A compass can only be used meaningfully if you know where you are and where you want to go! We want to support you in determining your position based on your situation:

- **Maybe you already have your ideas; after all, you have been successful in the market for many years. But you are not yet quite clear, for example, about the value or the implementation possibilities?**
- **Or are you looking for inspiration? Over the years, our long track record of industry experience and process expertise have resulted in an extensive collection of ideas. And maybe we can find sources of inspiration for you?**

Innovation often comes from transferring ideas from other industries, rarely is a completely original idea necessary. With our approach, we don't value innovation as an end unto itself. What matters most is that it adds measurable value to your company. Our clients often find it fun to rethink the familiar and combine it with existing and new approaches too. Our first steps are quite simple: We'll show you successful (and sometimes less successful) examples of innovations from your industry, and we'll also go beyond, challenging you with exciting ideas from other industries.

These ideas of course have to be validated and cross-checked in many respects. Once again, this is depending on the individual situation, but by and large, the validation can be clustered in four main areas:



1. Inspire

We focus on ideation and/or on a systematic analysis of your situation, followed by possible strategies, potential metrics to measure success. And we recommend also having an eye on the competition here.

2. Involve

We engage people at all levels of your organization as well as external stakeholders like customers or suppliers where appropriate.

3. Implement

We make sure your innovation project can be scaled across all your departments and business units, especially when they are spread across many different locations!

4. Integrate

We check how to embed technologies into your existing landscape. This could be rather technical proof of concepts or evaluations of different architecture or service models. The areas are interdependent in many ways. So the applied tools and concepts can also cover different areas in combination as e.g. Design Thinking.

Our Design Thinking Process

In our workshops, we recommend bringing together the widest variety of participants possible – this can even include suppliers and affiliates. We believe that the people with the most intelligent ideas are already working for your organization, and what's needed is an environment for those ideas to be discovered and developed.

Finally, our experts have decades of experience to draw from. This means that insights from other industries can often be adapted to your own.

OUR AGILE APPROACH

To begin your transformation into an Intelligent Enterprise, each step is valuable. We avoid planning every small detail for years from now! We recommend an agile approach, by setting short clear time frames for ideas to be developed, implemented, and checked! This allows for rapid iteration, and ultimately a better final product. And it is not about finding the perfect starting point either: Usually, there are several potential candidates to begin your transformation into an Intelligent Enterprise. Based on a cross-check as outlined above, possible strategies and risks can be evaluated as well as success criteria – tailored to your specific needs and priorities, and enriched with expertise drawn from decades of experience.



WHERE TO FROM HERE?

Clients are sometimes hesitant to engage with us because they fear that digital transformation will be too expensive, or require a complete change of business model or that the company is not ready yet. However, in our experience, these fears are often unrealized. On the contrary, we believe that the people with the most intelligent ideas are already working for your organization. What's needed is an environment for those ideas to be discovered and developed. And of course, to get started! The only way to know to find out for certain is to start a conversation, so contact one of our friendly experts today.

We Transform. SAP® Solutions into Value

Digital transformation helps companies reach their full potential – if the underlying technologies work for the people using them! At NTT DATA Business Solutions, we design, implement, manage and continuously enhance SAP solutions to make them work for companies – and for their people.

www.nttdata-solutions.com

Want to know more?
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