Survival strategy for the digital future

 By Lauren Hartzenberg

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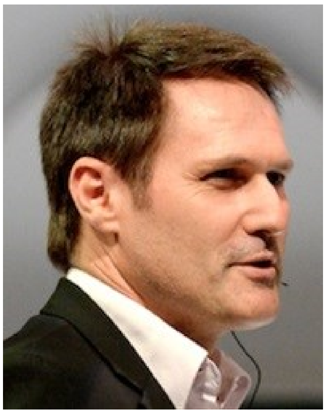
The key problem in business is that while technology changes, business processes don't. This was the assertion by Pieter Geldenhuys, futurist and innovation expert, at the Cape Town leg of the T-Systems InTouch Technology 2016 event held yesterday.



Pieter Geldenhuys

His keynote address titled 'Digital transformation – fad or essential business strategy for the digital future' centred on the embracing of digital disruption to drive innovation. But to be effective, changes in business processes need to occur.

But many simply do not know where to start. Geldenhuys mentioned the three driving elements of technology: processing power, bandwidth and storage space. The volume of these elements doubles every year, with the result that companies now haven't a clue how to harness the abundance of these tech forces. The way to do this, he said, is to exploit it. Luckily, there is an abundance of data now available to enable companies to amend their models in the right direction. Companies need to leverage digital disruption to be more effective, which may involve reframing your business. Geldenhuys warned: "Don't defend your market until death. Create a new market."

Innovative partnerships

The capabilities needed may not always be available from within your business, and that's okay. "If you want to be an innovation driver, you need to either have the right competencies or partner with companies that do," he says. When choosing a company to partner with, he advises the following three considerations: choose a company that will be around for a long time and has international reach, make sure they have a track record in innovation, and they need to be flexible enough to adapt their competencies to cater to your needs.

I managed to score some one-on-one time with Geldenhuys to gain some strategy advice for businesses hoping to thrive in the digital economy.

Which industries in SA are going to see the highest rate of digital disruption within the next decade?

Pieter Geldenhuys: If you take a look at digital disruption as a sub-segment – because it is a small segment of digital transformation – then companies that base their business around transactions between entities will be affected the most. If you look at the three primary forces driving it; that being processing power, bandwidth and storage space; the abundance we're seeing from those forces are changing business models.

Telecommunications has already changed. In environments with tremendous amounts of inefficiency in infrastructure and network there’s opportunity to link people through transactional ability. Our ability to transact is heavily dependent on our ability to connect with each other, and when we can harness ecosystems, capabilities and resources in the environment that has already been paid off – Uber and Airbnb for example – linking these entities together creates value.

If the inefficiencies in these environments can be overcome through connectivity and transactions, those industries will also be affected. If we take a look at large organisations we have to ask ourselves: to what extent are transactions between entities a part of the business? Like finance and banking, we’ll see those industries being hugely impacted because now we’re seeing new kinds of models where the consumer is put in direct contact with another consumer.

Peer-to-peer lending platforms like Lending Club and Zopa are now shaping the world. Transfer wise, there’s Robinhood. These are examples of small fintech startups that are disrupting the status quo because they can facilitate transactions between entities far quicker and more effectively than the traditional banking industry. We’re seeing technologies like Blockchain not necessarily disrupting but supporting financial and insurance companies moving into the future.

So industries with large amounts of system inefficiency that can be leveraged via our ability to interconnect, and industries with a huge amount of transactions between agents in an ecosystem which can also change due to the fact there’s a higher increase in the three forces I mentioned. If we look at industries further away from the centre, such as mining and agriculture, they will rather be improved than disrupted because their basis is not so much on transactions but on other elements in the value chain.

How can SMEs with a smaller pool of resources remain digitally relevant?

Geldenhuys: They can look at capabilities of joining resources and enabling a far more efficient ecosystem. Let’s look at logistics and the sourcing of goods as an example. They can use the digital ecosystem to decrease the cost of sourcing raw materials and components and to change their delivery structure to make it more efficient. SMEs can also use digital opportunity to harness scarce skills on an ad hoc basis. They can leverage competencies abroad as and when they need it. Because SMEs are more flexible they have the capability to do far more as the world becomes more interconnected. It does mean that they will have to relinquish control to some extent and open up the boundaries of connectivity that will allow them to be more efficient.

How can individuals ensure that they have a place in the digital workforce of the future?

Geldenhuys: If your job has got a huge amount of repetition in it, you will be replaced by a bot in the next ten years. It’s your ability to continually adapt and unlock new opportunities, to change the way we do things and create new markets that counts. In a world that becomes more efficient, if you have a repetitive job you will be outsourced. That means staying relevant becomes a far more important challenge. It’s no longer about being good at your job, it’s about being able to change, create and innovate. This is how you stay relevant.

What is the biggest mistake companies make in the creation of an innovation strategy?

Geldenhuys: The biggest mistake companies make is focusing on the disruptor. So if you’re a car hire company you focus on Uber and try to become more like them, which is silly. There's only space for one or two disruptors in any market, and instead of ripping yourself apart in order to react there are other strategies you can follow. Firstly you can do nothing; that means just become more efficient at what you do and you'll still have a niche market to defend. If you try to become like your disruptive competitor and you don't do it soon enough, the market will form a standard around the competitor rather than around you.

You can also use the strengths you have right now, and look at what other capabilities you can acquire to move into new area. This means changing the focus of your business to focus on something completely different based on your competencies rather than the existing market that you serve. You can restructure the entire being of your company if you do it proactively. Competitors emerging often focus on operation efficiency, but there are huge markets left for product leadership and in the client intimacy space. You can reconfigure who you are as a company to serve those markets. There's a variety of strategies, but it all depends on how proactively and quickly you change based on the disruptor in the market.

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