10 Principles for Digital Disruption

Digital upstarts are rewriting the rules of strategy, adopting winning principles almost instinctively. Traditional incumbents and hybrids should take note.

The massive transformation of the business landscape in recent years has been driven by 'Digitalisation', mostly inspired by "pure plays", companies that only have online activities and are not encumbered by either the assets or the organisational inertia of most incumbent, traditional companies.

In many sectors, traditional organisations can't hope to compete effectively unless they embrace the digital economy… and its rules. At the same time, many of today's pure digital plays have a lot to learn from traditional strategy.

In my recent book, **Digital Stractics: How Strategy Met Tactics and Killed the Strategic Plan**, I put together a list of key principles that could help the survival chances of pure plays, incumbents and hybrids alike.

1. Start with vision and purpose

In a business landscape where so much is in flux and new ways of operating are being developed all the time, never before has the need for an inspiring vision and an audacious goal been greater. Such visions have a dramatic effect on the ability of companies to attract people and finance in equal order. For example, Moneysupermarket oriented itself around saving the U.K. £1bn in 2012, which translates into 500,000 households saving £200 each. This created an organisation motivated by helping people to save money.

2. Be obsessed by customers / consumers and their behaviour

John Roberts, CEO of AO in the UK, summed it up well when he said: "The web hasn't changed what customers want, it has empowered them. We want to consistently be the best in how we treat our customers."

The competitive battleground in digital businesses is, rightly, around capturing the hearts and minds of consumers. Unless you can inspire and retain large numbers of them – and simultaneously very high market shares – you'll gain only modest recognition in the digital world.

3. Embed the right planning horizons

On speaking to any pure-play entrepreneur, you will learn that they invariably have a very ambitious vision of what they are trying to achieve, but seldom do they have detailed plans on how they are going to get there.

Given that the digital world and its underpinning technologies are developing so quickly, it is entirely

defensible to have a business model that is experimental and empirical. In fact, many argue that this greater flexibility is key to pure-plays' success. Rapid feedback loops allow you to refine and develop your customer proposition, your understanding of how customers behave, the challenges for the supply chain and how ultimately you might make money. So while you may dispatch of detailed plans, it is crucial to build your organisation's thinking processes robustly. Assessing top to bottom objectives and key results every quarter gives you the ability to stay focused and to pivot when and where you see greatest opportunity.

4. Understand and invest in competitive differentiation and advantage

In the digital world, competitive differentiation and advantage can be a combination of a number of factors such as a low cost business model, the brand itself, unique technology, supply chain, rate of innovation – the list goes on. It is essential that entrepreneurs are honest and self-critical in order to ensure that the advantage is real and applicable to the marketplace in which they compete.

A good test of this is the best-in-breed benchmark, as defined by Andy Street, MD of the John Lewis Partnership, when he said: "focus on beating the best, even if they are not your most direct competitors, because it makes you stronger." This will require experimentation which will inevitably mean a few failures along the way.But tolerance and a learning culture have long been shown capable of turning failure into sustainable success.

5. Harness technology effectively

Don't make the mistake of believing that 'IT' is what we mean by 'technology' in the digital age. The sort of technology which makes digital businesses work is not the same as the technology (IT) that is at the core of many traditional businesses. It is very much more consumer oriented and is as much about consumer interface as it is about transaction or supply chain management or flows of massive amounts of information.

The cost of poor or slow consumer facing technology is very high – that's a lesson hybrids are better off learning early.

6. Build a robust business model which encompasses an ecosystem of staff, suppliers, and customers

In the early years of the digital era, hybrids often placed their e-commerce or online teams in separate organisational entities, to avoid polluting the mainstream with radical and often disruptive

ideas and/or to prevent these new ideas being smothered by the mainstream. As a result, at the same time that pure-plays were outstanding at front-end consumer interface issues, they were naïvely incompetent in management of the supply chain.

Nowadays, both pure-plays and hybrids understand the need to have a fully integrated business model. By engaging with consumers in co-creation, getting suppliers to provide inventory (and even delivery) systems and ensuring your own organisation is capable across a multichannel model, the added value of integrating digital assets of a business with its physical assets becomes very clear.

7. Do not tolerate mediocrity

In the digital world, the quality of your people and the culture in which they operate can translate into a massive competitive advantage. Creating a culture of openness so that even the most junior people can influence the direction of the business makes all the difference. Insight and creativity is no longer bound up with experience. Pure-plays translate this into true competitive advantage by organising to get the most out of a talented workforce who are used to building apace. Small teams focused on tough problems can make rapid inroads – an all-important characteristic for success in the fast-moving digital world.

8. Reinvent yourself frequently

One of the truisms of the digital world is, of course, that nothing stands still for very long. Knowing this, it is incumbent upon the leadership of any business to make sure that management is constantly questioning itself on whether its business continues to be fit for purpose and is responding to customer and competitive requirements. If not, it needs to reinvent itself rapidly.

9. Design a fit-for-purpose governance model

Although organisational shape has been transformed in the digital era, governance remains key and can make or break a business' success. The push for corporate transparency and integrity is only likely to hasten the need to reflect this in your business model. It is vital, therefore, that both hybrids and pure-plays design a corporate governance model which will help unlock value in a competitive environment. This should include: shareholders with long term conviction; an informed board; and an inspired leadership; a motivated management.

10. Build a fit-for-purpose organisation

It has been found time and again that simply dropping a group of digitally competent individuals

into the middle of the traditional organisation will not work. Tissue rejection - which happens quickly and brutally - usually smothers and discourages even the most motivated group of digitally oriented individuals. In order to get the best out of this talent, companies need to build an agile culture of experimentation and learning through failure – they should take decisions at speed and be encouraged to experiment.

The speed of transit has increased exponentially; but instead of "move fast and break things", the mantra championed by Facebook's Mark Zuckerberg, organisations should embrace a slightly new motto: "Move fast and turn your satnav on".

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