



## Scanning and Responding to Digital Change

**Digitisation requires organisations to keep a keen eye on the horizon and respond by bending their processes.**

This is the third article in our **special series on the Digital Journey**.

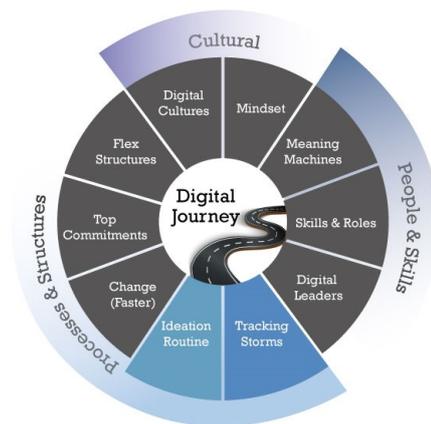
Most forms of disruption today are about digitisation. Netflix has revolutionised the way people experience videos, providing non-linear viewing (unchaining us from TV guides) and easy access (no DVD rentals). But there are a multitude of ways digital products, data and processes can be used to create novelty and value without necessarily “disrupting”.

It’s worthwhile distinguishing digitisation from “disruption”—the latter is more about radical upending of business models, often by people or companies well outside of the targeted industry. However, digitisation includes how incumbent companies alter and expand their value propositions by harnessing digital means.

Companies can become more digital without necessarily overturning their business models. But because digitisation can lead to disruptive movements, companies have to be good at scanning the landscape for developments, absorbing them and exploiting the opportunities.

In the previous two articles in this **series**, we looked at the mindset needed for digitisation and the sort of people organisations need for the journey. Based on

insights we gleaned from interviews with executives and managers at the forefront of digitisation, we now turn to how organisations can track disruptive threats and respond to them.



### Tracking storms

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Our interviewees said that it is important to scan the environment both to understand what is happening and to determine what is possible and most likely to occur. In other words, scanning should involve present-and-future threat combinations.

One respondent told us, “We have a special team, called the ‘FinTech team’. They are a small team but they are just scanning all over the world for developments. They go to conferences, they go to Silicon Valley. They really look at the disrupters that could potentially threaten us.”

The same interviewee also explained that their company had a strategy review process at the level of the CEO’s office. Its purpose is to constantly re-examine the strategy, what is changing, what is working and what the firm has to adopt, prioritising the biggest threats. The lesson here is that the scanning needs to be linked up to strategic planning and senior decision makers.

## **Ideation routines**

Staying current and attuned to the outside world is important, providing digitising companies with a window into inspiration and potential threats. But perhaps the core of digitisation is what happens next, which is ideation—the creative process of moving from inspiration to innovation. This is because there is no single blueprint for monetisation of digital opportunities—that is, no “winning strategy” for all—but rather it is vital that companies construct creative and collaborative processes to search these new spaces, recombine existing resources and define their own digital path.

Rather than a “lone genius” model where one “guru” comes up with the design of all things digital, the required logic that emerged from organisations we interviewed was recombinant thinking, or a creative collaboration of multiple people or groups.

One interviewee told us, “You don’t work that much anymore in a very hierarchical manner. You’ve got your boss, you’re part of the team, but it’s more like an agile organisation,” where people are part of project groups and they’re measured on the success of those projects. But it doesn’t stop with brainstorming.

The ideation processes we came across were not like traditional R&D, which typically focus on narrow exploration, as opposed to exploitation. Organisations we spoke to combined exploration and exploitation, in other words raw creativity, prototyping and testing. They were, nonetheless, systematic and disciplined. Several insights emerged.

## **1. Speedboats**

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Organisations, especially large ones, are often akin to supertankers. Steering them in a new direction can be laborious and time consuming. The emphasis here was on being nimble.

“You have a traditional organisation where other values, other goals are [living]. Then you need to be successful in the digital world, so instead of trying to steer the tanker, you try to build a speedboat on the side and have some impact on the core business as well...” said one interviewee.

The respondent emphasised that the speedboat was not autonomous. It was clear that its job was to race around the ocean to explore opportunities while staying in communication with the tanker.

## **2. Requisite variety**

Small is beautiful but speedboats lack heft, i.e. resources and viewpoints. One manager we spoke to works on creating a mix of skills in innovation teams. He said that getting the right mix is essential. “We created a new advertising platform. We brought together seven or eight different departments over two to three months. It was a perfect example of how much power and intelligence you have when you create the right combination of people.”

## **3. Customers first pass: channelling customer insights**

Design thinking is emerging as one of the popular innovation paradigms of our time, the cornerstone of which is taking the user’s point of view. It was no surprise, then, to find respondents emphasising the importance of really understanding the target audience for their products or services. “The reason [we do the investigative work] is to generate insights about customer needs and pain points in the certain market segment. The reason is also that we make sure that team members really understand with whom they are dealing, who is the customer.”

## **4. Customers second pass: fast experiments**

But to avoid getting caught up in guessing exactly what the customer wants and trying to merge many insights together, releasing a prototype (if possible) helps organisations to test their ideas quickly in the marketplace.

“Analysing in advance doesn’t work anymore,” said one respondent. “We take a rapid-prototyping ‘agile’ approach: Test with the consumer, or test with all the methods that there are.”

To sum up, decision makers need to consider whether—given their product, market and context—to invest in a heavier front-end process (taking more time to understand what the user really wants) or heavier back-end process (prototyping, experimenting and testing). One size is unlikely to

fit all.

## 5. Funnelling ideas

Ideation systems, however, need to also have some internal mechanisms for funnelling ideas, which means starting wide and narrowing down ideas gradually through a critical process. One method we came across was particularly creative.

In one company, brainstorming involved 90 staff, split into three groups of 30. The first group was called the “dreamers”. They came up with everything they felt was interesting in digital and diversification. The second group was the “realistic” one, typically comprised of those who preferred “grounded” ideas. They picked up ideas from the dreamers and considered how realistic they were. The third group was the “pessimistic” one. After the realistic group reduced the number of ideas to around ten, the pessimists examined all of the downsides and further narrowed the ideas down to three. “Thanks to this new move...I'm getting more and more support from all the different stakeholders within the company”, said one interviewee.

What all of these insights have in common is that they involved many more people than is typically the case in core innovation work. It brings us back to a theme we have already mentioned and into which we will delve deeper at a later stage: A collaborative workplace and strategy is an important part of going digital. It has the added advantage of bringing more of the organisation on board the digitisation initiatives.

Nonetheless, organisations often face inner resistance to change. In our next article in this series, we will explore how organisations at the vanguard of digitisation tackle resistance within their ranks.

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