

Digital Winners Transcend Technology



By Jean-Marc Liduena , Senior Partner and Leader of Consumer & Industrial Products at Deloitte (INSEAD MBA '99)

Successful digital disrupters are good at solving bread-and-butter problems, attracting staff and staying nimble.

For all its technological advancement, Southeast Asia has only recently taken to e-commerce. Thanks to the entrance of RedMart, an online grocer in Singapore founded by [INSEAD alums](#), and Lazada (which recently bought RedMart), an e-commerce giant owned by Alibaba, Southeast Asians are changing the way they shop. Shipping speeds are starting to catch up with the American norm of same-day delivery. Consumers are also getting better service by the day. Zalora, a pan-Asian online clothing giant, lets customers return anything without any charge or hassle through the postal service. The region is becoming so hot that Amazon has entered the Singapore market, delivering diapers and beer at two hours' notice.

How the digital organisations of the region are getting there, though, is with tenacity that transcends clever platforms and flashy new technology. While those are crucial ingredients, digital disrupters in Southeast Asia have to take on the same bread-and-butter challenges that plague delivery businesses throughout the world.

Shouldering the burden

At the recent [INSEAD Alumni Forum Europe in Paris](#), Max Bittner, the CEO of Lazada, explained how the company thinks about the logistics challenge in Southeast Asia. "Because of the complexity of delivering large, small, and odd sized parcels like a couch, a watch or a shower curtain rod to say an HDB [public housing] in Singapore, a house in a village in Sulawesi or a home in a jungle in Thailand, we have partnered with more than 80 logistics companies whose specialties cover all of our needs. However, early on, we realised that we still needed to invest in building our first- and last-mile infrastructure to complement these partners. As a result, we now have the biggest logistics company in Asia, ensuring our supply chain is the best in the region," Bittner said.

His comments reflected a growing need for capabilities in solving ordinary business challenges among digital players: "We are really building one-stop shop e-commerce, not just for consumers, but also for suppliers by trying to take away the complexities they face in the markets. In the past, the fragmentation of Southeast Asia, resulting not only from country borders but also diverse cultures, languages and remote locations, has made it less attractive for brands due to the complexity in understanding consumer behaviour and costs of doing business. Lazada has provided a simplified end-to-end platform for brands to access the region's six core markets regardless of their existing offline footprint in these markets. We are putting everyone on a level playing field. That is a core pillar of what we're trying to achieve."

An issue of talent

Disruption and digital transformation are not solely an issue for unicorns like Lazada. Established companies must also reassess their digital readiness. Regardless of company age or size, talent acquisition and retention are paramount for transformation. Mark Dixon, Christel Heydemann and Frédéric Mazzella, the other forum panellists, agreed with Bittner that the best way to effect change is with new eyes.

Dixon, CEO and founder of Regus, the multinational office space provider, explained how his company approaches outsourcing: “The answer to a lot of the software problems we have is Ukraine, Hungary and Romania. There are lots of programmers there; they can do things in a fraction of the time, fraction of the cost.”

“Outsourcing, an alliance of partners, good communication with those partners to say here's our common goal” adds to greater success for Regus, he continued.

Schneider Electric, the French multinational, has another issue facing established players: bringing in new skills while securing the competence of an ageing workforce.

“In France,” Heydemann, CEO of Schneider Electric France, said, “more than 2,000 people will retire in the next five years.” Replacing the skills, the technical expertise that has been built up over 30 years is one hurdle they face. But Schneider Electric, like all companies, also has to attract new workers: “Our biggest challenge is to attract and retain young talent.” Schneider has a digital service factory, which is more agile and “more like where these new generations would want to work. But the challenge is that we also need to bring those talents in the core of what we do.”

The newcomers aren't necessarily outsourcers nor do they have the problem of imminent retirees. A common thread is the outlook of employees in the face of disruption.

Bittner said there are two central factors about tech talent: Accept a lack of perfection and create a sense of paranoia in them. On tech talent “there is no way you can say ‘I want a data scientist who specialises in exactly the process I want to optimise’. It's more about creating a culture of hiring very young people and then giving them the freedom to express themselves and shine,” he said.

Regarding “paranoia”, Bittner described how disruption in the technology industry is not a one-time event. Over the six years Lazada has been in business, it's been disrupted itself any number of times. Keeping all employees paranoid about the competition, on their toes and ready to face any challenges is key for Lazada.

At BlaBlaCar, founder Mazzella reported that “what's really important is that you have a mindset, a culture that is agile and that can adapt, innovate.” At the Paris-based start-up, they take agile into the physical world: “No one in the company has had a desk for more than a year in the same place.” People may retain their job but move to a different desk, or they could change job and desk. Ensuring the company is an attractive place to work, with a focus on culture, also helps to attract and retain talent.

Disruptive agility

Solutions to the problem of disruption vary from company to company. Mindset, supply chains and business models have helped the panellists' companies affect change. I referred to a report from Deloitte called “Navigating the New Digital Divide” which explained that there is no more gap, there is no more divide between real and digital life.

Bittner agreed, “The concept of offline vs. online is archaic. If you're online at a store or at home, it doesn't make a difference. We're not living in a world where you need to sit at home on a computer to be online. If I'm in a store and I'm looking at my phone, what am I? Offline, online? It's very hard to define.”

“The disruption here is less about my industry being disrupted. It's more about the digital players, which are the Alibabas and the Amazons of this world, bringing their expertise of using data and technology and tools to optimise the supply chains within a department store. Or understanding through their data who the consumers walking into the store are. Frankly, they should know who the customers are and what they want before the customers even enter the store,” based on information from WeChat and other apps.

Consumers share their opinions on WeChat or Facebook or they write app [reviews](#) to show what they need and how they prefer to get it. Digital transformation is the convergence of technology and data to optimise processes.

Dixon said, “We have to run our business like it's a start-up, like we were starting it tomorrow. So everything we do, make it digital. How we interact with customers, how we interact with our own people.”

“In order to adapt,” Mazzella added, “you have to go back to the strengths of your roots.” For BlaBlaCar, these roots are the ability to go anywhere at a low cost with the help of a large community. This is a reflection of the core of the company.

The importance of supply chains – perhaps not the first thing that springs to mind when discussing digital transformation – shone through during the panel.

At Schneider, “our biggest strength is obviously our supply chain, that’s number one,” according to Heydemann. “We are one of the **top 20 companies** for supply chains. Number two is our network of partners. We have a strong industrial software business with 4,000 integrators around the world.”

In the digital age, “the biggest change is obviously that we can connect and know better our customers and our partners. And we should serve them better using digital technology, connecting them through the web, providing all the technology available in the digital space,” she said.

For Heydemann, a unique opportunity is the role of energy storage and renewable energy. “The world of energy is becoming digital decarbonised and decentralised. Everyone today is an energy consumer, everyone tomorrow can be an energy producer, with solutions combining solar and storage. The biggest revolution that’s coming to Schneider Electric is energy storage and decentralisation of how energy is consumed and produced.”

“Digital is, of course, a fantastic driver for change,” Bittner said in his closing remarks, but “don’t be too scared of us. We have the same problems with teams and motivation and incentivisation that everyone has.”

For information about the upcoming INSEAD Alumni Forum Americas to be held in San Francisco, click [here](#). The next INSEAD Alumni Forum Europe will be held in June in [The Netherlands](#).

***Jean-Marc Liduena** (INSEAD MBA ‘99) is a Senior Partner at Deloitte and the past president of the INSEAD France Alumni Association.*

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About the author(s)

Jean-Marc Liduena Jean-Marc Liduena (INSEAD MBA '99J) is a Senior Partner at Deloitte.

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