

RACONTEUR

Digital Disruption





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Every company is at risk from digital disruption. Equally, every company could be a digital disrupter with the right mindset. This report looks at the strategies needed to thrive during an era of unprecedented change.

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RACONTEUR

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Embracing the reality of digital transformation

A bold strategy is just the starting point. An expert panel debates how to make digital transformation happen, from winning boardroom buy-in to preparing employees to work shoulder-to-shoulder with AI

GREN MANUEL

Digital disruption has broken out of Silicon Valley. Any company, no matter how nuts-and-bolts, can be disrupted by a digital competitor; equally, any company could be that digital disruptor.

With the threats and opportunities ever greater, CDW organised an executive roundtable in London in May with the theme “Embrace disruption. Embrace transformation”. The discussion was kick-started by two leading industry thinkers: Andrew Moore, chief transformation officer of chipmaking giant Intel,

and Nigel Moulton, chief technology officer at Dell EMC, part of a corporation that services 99% of the Fortune 500 companies.

Their remarks sparked lively discussion. Both Intel’s Mr Moore and Dell EMC’s Mr Moulton spend a lot of time talking to leading companies about their digital transformation journey, and they kicked off with a tough message: it’s hard work.

“If this stuff was easy we would all have done it a long time ago,” noted Intel’s Mr Moore. Nevertheless, it became clear that there are ways to navigate through the minefield. Some emerged in the roundtable; others

are explained elsewhere in this digital report.

What's not in debate, however, is that the starting point for digital disruption is top-level leadership. After that the real hard work begins. "The people challenge is the biggest problem," said Mr Moulton. "How do you embed a digital culture in an organisation whose culture fights against change, particularly change this radical?"

One traditional solution – buying the new competitor and trying to assimilate it – does not work, he said (see "The fallacy of the digital buy-in"). What's left is much harder, change that comes from within.

Yet without engaging the broad workforce, a strategy is doomed to fail. Intel, which has more than 100,000 employees, holds quarterly innovation days where employees can report the digital threats and opportunities they see in the distance.

Mr Moore said: "It used to be that leadership felt their role was define the strategy and tell the people. That philosophy has changed from define and tell to align and agree." Implicit in that statement is the importance of enlisting and engaging the employees from the outset. "Tap into the sensor network at the edge. The employees want to lean in and help. Make them believe they are part of the solution versus feeling like mice on a wheel."

One factor that helps catalyse change is a chief transformation officer, a job title that has become increasingly common in recent years (see "Chief transformation officer: revolutionary or functionary?" later in this report). Some see this as a slightly exalted name for a project manager, however, at its best, this person can be much more. Mr Moore, who runs Intel's CTO office, said one function is to "change the metabolic rate of the organisation", and this is only possible if the function has strong backing from the chief executive.

He added: "Your ability to get stuff done can't be down to your powers of persuasion or your interpersonal skills, however good they may be."



Andrew Moore, Intel

Change that's more than skin deep

Look at your core skills – and see how they can be used in new ways.

That was the advice of Andrew Moore of Intel for any business facing disruption – and the example he chose was an unusual one: Fujifilm.

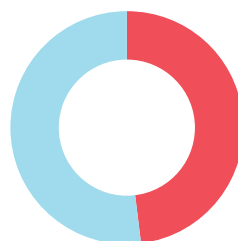
The firm was making a successful transition to becoming a producer of digital cameras but realised this move was happening faster than expected – and one-off sales of digital cameras were not enough to make up for the loss in recurring film sale.

Fujifilm examined its core skills, and looked at antioxidant technology it had developed to prevent photographs being damaged by ultraviolet light. In 2007 it launched its Astalift cosmetics range that uses the same technology to protect skin from the harmful effects of the sun.

The cosmetics business is now part of the division of Fujifilm with the largest revenue growth.

Shigetaka Komori, Fujifilm's chairman and chief executive, told the Singapore Straits Times in 2017: "You have to be brave to carry out changes. You shouldn't be scared by problems, and you shouldn't fear danger." "As you look at changing, you start by understanding what you're good at, what your core skills are," said Mr Moore. "Don't lose sight of what made you successful, but think about those core skills and see if they can be applied slightly differently."

In Fujifilm's case, the move into cosmetics certainly didn't lose sight of what made it successful – it has leveraged its brand and other technology skills to remain a leading manufacturer of consumer digital cameras as well as retaining a strong industrial imaging business.



48%

Companies that are highly susceptible to disruption

Accenture study of 3,629 global companies 2018

“Make the employees believe they are part of the solution versus feeling like mice on a wheel

Andrew Moore, Intel

The people challenge is the biggest problem

Nigel Moulton, Dell EMC

But that transformation office can only work with the raw material on hand – the skills of the workforce. Some of the participants expressed concerns over this. Increasingly, the brightest graduates prefer to start their own firm or join a young, fast-growing company. If those options don't work, then a tech giant such as Google or Amazon would be the next choice. A managerial post with a large company is seen as a last-choice option.

And even if you can persuade talent to apply, what talent do you hire? In 2017, Dell in conjunction with Institute for the Future published a report saying that 85 per cent of the jobs that will exist in 2030 have yet to be invented. In just 12 years those super-skilled millennials that are being hired today may be of no value – implying a huge commitment to training.

And an organisation will need more than human skills. Intel's Mr Moore made perhaps the boldest statement of the evening by saying that organisations need to think about non-biological skills too.

"When I say those words out loud people say I have lost the plot. But the workforce and the skills of the future will be a mix. There's going to be people like us. But we are going to be intermingling and collaborating with digital skills."

Lou Lwin, group head of enterprise architecture at Markerstudy, a privately owned group that owns a wide portfolio of insurance businesses, explained how his firm had introduced machine learning into a department that fixed renewal prices, a key part of customer retention.

"Initially people were scared because they were worried that implementing new technology might meaning losing the personal touch." But the technology was presented as a way of augmenting traditional skills rather than replacing them. "Now they're taking it on and they can't get enough of it," he said.

Is the IT department ready for this kind

The fallacy of the digital buy-in

Threatened by a more nimble, digital competitor? Why not buy it?

It sounds an easy solution to the digital problem. But Nigel Moulton of Dell EMC mapped out how these acquisitions usually progress – and the story often doesn't end well.

The new team are left in their existing building, so they can stay trendy and digital. And initially it looks good, with a competitive threat assimilated.

But they're not really assimilated. They're being given key performance indicators that mean nothing (to them). Kept away from the main teams, there is no transfer of skills. And silently, the company is reacting against the outside influence, producing the corporate equivalent of antibodies.

Then the non-compete clauses in the buy-out agreement expires. "Ninety per cent of them leave, and you're left with an empty building" said Mr Moulton. "They have gone to compete with you again."

He contrasted this kind of digital buy-in with the successful digital business created by a traditional engineering company he recently spent a day with and which is building a highly innovative Internet of Things data business. This was a company that recruited a visionary chief information officer and created a funky 1,200 square metre space for the digital team – but anyone was welcome to drop in.

"This room is open to anybody, at any time," noted Mr Moulton.

The knowledge transfer goes two ways, he said. The digital team can become truly familiar with the traditional business; and the traditional business can assimilate the digital mindset and understand how the company's future is intertwined with this new way of business.

Nigel Moulton,
Dell EMC



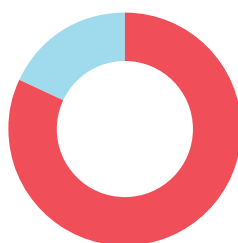


of change? David Chapman, CDW UK's vice-president of sales, said many were struggling to assess their options. "Part of the game at the moment is figuring out what technologies do I invest my time in."

Despite tight budgets, technology choices are proliferating. Should they invest in bed-rock technologies such as a hybrid cloud? Business enablers such as blockchain? Or fancy user interface skills such as Alexa?

One participant said the IT department was being asked to be both thought leaders and in-house PC-fixers. Markerstudy's Mr Lwin said his firm had rebranded the IT function as if it was an external agency and worked to reduce the demands of everyday maintenance to pay for high-visibility projects in big data and machine learning (see his article "Transformation: it's all about competence" later in this report).

Ray Kurzweil, Google's director of engineering, has predicted that AI will achieve human levels of intelligence by 2045 when we reach a point known in the industry as "the singularity". As AI continues to evolve, its importance to decision making and diagnosis will increase, as it augments (rather than replaces) human capability. Could AI



82%

of global executives see AI and humans working as integrated teams at their firm within five years

Dell Technologies survey 2018

itself soon be helping plan the enterprise's digital transformation?

Many executives attending thought it could – particularly if the definition of an enterprise changes. Today we think of an enterprise as a collection of staff owned by a shareholder that (hopefully) generates a profit. But the advent of blockchain will enable the creation of autonomous algorithms that operate like digital mini-companies, trading and transforming digital assets, and remitting cryptocurrency dividends to their creators until the profit opportunity has gone – which may be years or minutes.

Some commentators have predicted that hundreds of millions of knowledge workers will find their jobs disappear but Dell EMC's Mr Moulton reckons that while digital disruption may kill off many companies, Human Beings plc will be a survivor.

"If you were making shoes for horses at the end of the 19th century you might not think this was a good place to be. But if you got into the tyre-making business, or the road-making business, you might think that's a good place to be. I think there's a natural evolution in us as a species that allows us to make these changes."

Selling disruption to the C-Suite and beyond

Innovate or fall behind:
necessity is the mother of reinvention

SOORAJ SHAH

It's one thing to have a visionary chief executive who sees the need for a break with the past, but quite another to have a boardroom, senior management team and workforce who buy into that vision.

Getting this buy-in is vital to turn the theory of disruption into a reality. Awareness is the first step, and most firms now understand that if they don't act, they are vulnerable to more nimble competitors.

Many have also taken the important step of turning theory into budgetary reality. Research by professional services firm Deloitte has found that organisations have stepped up their investment in technologies such as artificial intelligence and blockchain over the past year. However, the same research indicates that businesses are struggling to develop a coherent strategy for their investment plans. The research suggests this is because executives feel they lacked the skills and confidence to lead their organisations through the changes that



37%

US CEOs saying their firm needs deep cultural change by 2020 to support digital transformation

Gartner survey 2018

digital technology will bring and are concerned about the skills of their staff.

Mark Mullen, CEO of Atom Bank, the UK's first app-based lender, says it is difficult to disrupt a business internally, even if the business has been successful at disrupting an industry externally. Anyone taking a proposal to the board has to get ready for "fair and reasonable challenges".

"Boards want to feel that proposals are well considered, that they don't destabilise parts of the business that are working effectively, and that they don't jeopardise the promises already made to shareholders," he says.

"Containment is an important idea here. It's difficult to 'bet the proverbial farm' every time you take proposal to a board."

And if employees or business leaders aren't happy with the new plans once approved, CEOs need to be strong enough to stick to their guns, he says.

For larger enterprises, disruption has to be sold at every level of the business. Most importantly, it requires board approval or, in the case of other C-suite executives, it may require the CEO's consent. Rob Palfreman, head of IT at the University of Northampton, which employs around 1,900 people and had revenue last year of £132 million, explains that this means building an effective relationship to ensure you have opportunities to influence top-level thinking.

Mr Palfreman says it is important to invite the CEO or equivalent to practical events that showcase exactly what the digital technology can do.

"We've done a number of showcase days with [US technology company] Cisco where the vice-chancellor has come along... it's about building up the belief that the art of the possible is there, and that we've got a clear technical strategy that will underpin where [the organisation] is trying to go," Mr Palfreman says.

On paper, disruption may seem easy. Management guides are packed with case studies in which a hero manager quickly turns their company into a digital leader. But the real world is a lot more complex.

Michael Frohlich, CEO of global advertising and marketing company Ogilvy, explains that it struggled to react with speed and agility – two digital components that are key to disruption – after a series of acquisitions left the business in a complex state for clients to navigate.

Some employees resigned. Others wanted to leave and had to be persuaded to stay. All this in an environment in which leaders were adjusting to new roles. When it came to getting



buy-in, persistence and patience – important skills in any disruptor’s toolbox – proved vital.

Mr Frolich says: “There was one individual who we saw absolute star quality in, but it took her months to get to a place to understand what we were trying to achieve and how she could contribute to it – when she finally got it, she seized it with both hands.”

Disruption, however, is not a one-off event. One successful innovation doesn’t win five years, say, of easy living. Rather it is the start of a continuous process which, although difficult, is necessary to ensure a company’s future.

From the outside, Hotels.com, part of Expedia Group, may seem like a firm that is bringing digital change to the global travel industry. But it, too, has had to reinvent itself as technology has changed.

Matthew Fryer, the organisation’s chief data science officer, says: “At Hotels.com, we’re now over 20 years old, so even though we’re digital native, hopefully soon we’ll become cloud native, which means reinventing ourselves internally.”

This shift has made a particular impact on its engineering teams, which can use new technology platforms to change the way data is captured and analysed. But it has also changed the organisation’s focus.

“We can now think about helping our customers use machine learning at scale – it was an afterthought and now it’s core to our thinking,” Mr Fryer says. In other words, the

“**It’s almost a switch in the head that this isn’t niche, it’s now the norm and that changes the paradigm**

company can exploit digital technologies in new ways through cloud computing.

For Mr Fryer, selling to the board was relatively easy because the case for using machine learning and cloud proved valuable from the outset.

“Just by showing that value, it drives more value. Then we hit a scale point where it became so obvious that they said, ‘this is not a strategic change, it is now part of the core of our strategy’. And that meant investing in it, but also unlocking the thought space amongst our executives and leaders in terms of how they can help and make it happen,” Mr Fryer says.

This included providing more training for engineers and executives – but crucially, it meant business leaders were asking questions about the metrics and what the risks were with using cloud and machine learning.

Mr Fryer adds: “It’s almost a switch in the head that this isn’t niche, it’s now the norm and that changes the paradigm.”

Chief transformation officer: revolutionary or functionary?

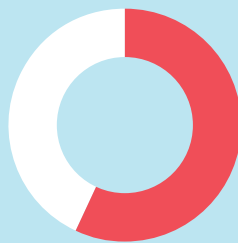
Some are visionaries, others project managers.
Either way, the newest role in the C-suite is all about change

EMMA WOOLLACOTT

According to LinkedIn, there are 121 chief transformation officers in the UK, along with hundreds more business transformation officers, digital transformation officers and the like.

But it's not a job title that's been around for very long, emerging over the past decade or so as organisations realise the need to be more responsive to change. A 2013 survey by consultancy firm McKinsey found that more than eight out of ten executives had experienced an organisational redesign in their current companies, and more than half believed they would experience another in the next two.

"We're all living through intense change, the pace of which is only accelerating," says Jason Dormieux, global chief transformation officer at media agency Wavemaker. "Regardless of title, all companies need people whose obsession is around what products



57%

Global executives saying they are struggling to keep up with pace of change

Dell Technologies survey 2018

and services they can build in order to help their customers take advantage of the opportunities that this disruption brings."

But what does this mean in practice? Where do the people come from to fill these roles, and what exactly are they doing?

Diletta D'Onofrio, head of digital transformation at software company SnapLogic, says: "Typically, people come to it from management consulting. I recommend a period in consulting where you're exposed to multiple realities. To me, it's important that you have seen not just one organisation but five or ten, ideally. And industry experience is important: you can specialise by industry."

In other cases, chief transformation officers come up through the ranks: "Knowing the company you are working in can be beneficial, as you are likely to understand its critical architecture from an IT and business process perspective and have constructive relationships with key stakeholders which can expedite the decision-making process," says Lauren Chiren, director of

The five skills you need to be a chief transformation officer

Adaptability

"A chief transformation officer should be ready for any major change to the business – from a drop in the share price to a problem with new technology or an unexpected executive departure," says Jonquil Hackenberg, head of advisory practice at Infosys Consulting. "Staying on your toes and being ready to change the predetermined plan at any moment is essential to success in the role."

Preparedness to take risks

"They need to be personally comfortable with failing fast through testing and learning, while also creating a supportive environment for this to happen within," says Juliet Eccleston, co-founder of peer-to-peer recruitment platform AnyGood and former programme manager for the change team at Egg, the UK's first internet bank. "A CTO needs to find this balance and fully support the organisation in taking risks whilst never compromising the platform."

support group Women of a Certain Stage, who has worked as head of transformation at three banks.

“Understanding the company’s risk appetite and internal processes around finance, resourcing and procurement can often save time too.”

The term chief transformation officer has a wide meaning: some CTOs see themselves as visionaries, while others are essentially project managers for an overhaul of an organisation’s processes, often through technological change.

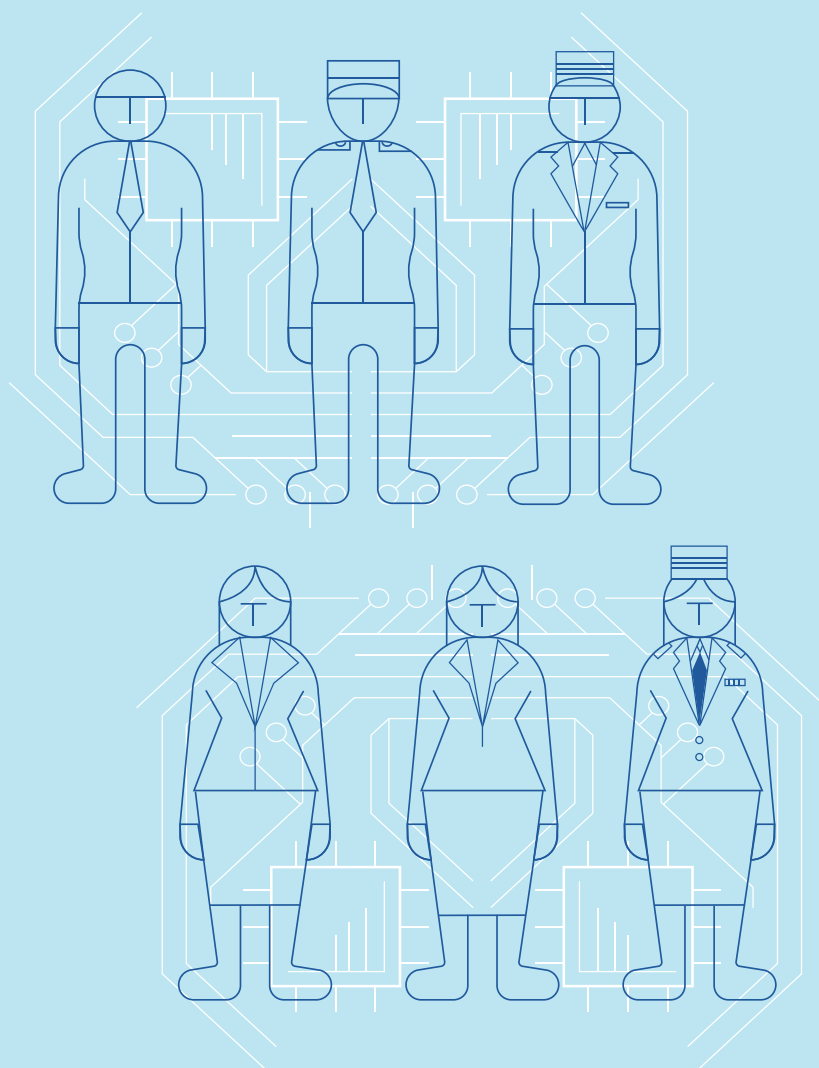
Richard Cross of advertising company Clear Channel International says: “My role as chief digital transformation officer is to make sure Clear Channel International builds the capabilities needed to be at the forefront of our technology-driven transformation.

“This covers everything from understanding how technology is impacting the company’s culture, to encouraging a start-up mindset across the business to be more experimental. My job didn’t exist before I joined, so I’ve had some flexibility in defining what the role entails.”

In some cases, chief transformation officers form a permanent part of a company’s C-suite, tracking how a company is performing following change. In a recent survey carried out by McKinsey, only 37 per cent of respondents believed that their business transformations had been successful, and there’s a clear consensus that long-term monitoring of change is essential for success.

In other cases, a chief transformation officer is hired for a particular project or set of projects – in which case success can mean doing yourself out of a job.

“A really good one does it in one to two years, a bad one in maybe five years,” says Ms D’Onofrio. “I know quite a few



people in these types of roles, and they tend to be looking for a new job in the third year.” The good news, though, is that there are likely to be plenty of other positions to apply for. According to McKinsey, companies revamp their organisations more often than they overhaul their websites or upgrade their computer systems.

Ms Chiren says: “Technically, a great transformation officer will be forever innovating.”

Strategic vision

“It’s important to not solely be a blue-sky thinker when presenting ideas to the board, but when it comes to effective transformation projects, matching vision with optimism is vital,” says Ms Hackenberg. “Strive for the best, but prepare for the worst – this is the motto of the successful chief transformation officer.”

Corporate expertise

“An external perspective is incredibly important; however, this doesn’t have to mean an external person,” says Mr Dormieux. “Knowing the company well is invaluable when it comes to working out how talent and capabilities can be harnessed in the most agile way to deliver change over as short a time horizon as possible.”

Tech expertise

“Developing technical know-how is an important piece of the puzzle,” says Ms Hackenberg. “The best way to sell new technologies to the board and employees is to know exactly how to visualise their implementation and get speedy ROI [return on investment] – so being at the forefront of new technologies is essential.”

CIOs need to lead the cultural change

The chief information officer is a key driver of digital transformation – but to make it happen, they first need to transform their own role

LEE HENDRA

Digital disruption touches all aspects of a company, but perhaps none more so than the IT department. As the rules for conducting business change, the demands on the chief information officer change too, the job evolving with the current wave of technological innovation.

According to a 2018 report from Gartner, 84 per cent of CIOs at top-performing organisations have responsibility for areas of the business outside traditional IT, the most common being innovation and transformation. “The CIO’s role is transforming from delivery executive to business executive,” the report says.

The report, *Mastering the New Business Executive Job of the CIO*, adds: “In step with this is a shift in CIO success criteria, from IT delivery objectives to more business-based measures”.

Digital execution requires new approaches and unprecedented collaboration between IT and business; ultimately, digital transformation is where the IT function evolves from a service provider to a business driver and, importantly, becomes accepted as such by the wider business.



Lee Hendra is solutions sales director for CDW UK. He has extensive knowledge of the challenges of business transformation through working closely with clients – including some of the UK’s most digital businesses – on their data centre solutions.

So what is the challenge for today’s CIO, now tasked with driving digital transformation? It is less to do with the technology, critical though that remains, and more about leading the change required among people. Many employees are resistant to change – that’s just human nature – but true digital transformation needs internal buy-in at all levels. This is not a matter solely for the IT department; to be successful, it needs a company-wide cultural shift.

This challenge could be particularly prevalent in the public sector, where employees are often not afforded the time or resources to transform their ways of working; but it can be equally challenging in the private sector for a CIO to direct and manage a transformation in mindset. It is those CIOs that understand how advances in digital technology allow organisations to be better than the competition who will enable their organisation to save on the bottom line, and reap the rewards on the top line.

IT and CIOs need to speak the language of business, talking about the outcome that matters: satisfying the customer’s needs. Ultimately any organisation exists to be profitable while fulfilling a demand; it is the customer journey that drives the business, not the technology by which that journey can be made.

Yet this may not prove the CIO’s biggest challenge. Yes, IT needs to speak the language of business and help its working practices evolve; but it is at board level, among the non-IT executives, that real change must take place. Too many boards fail to understand that technology is the only thing that will advance their business, a failure that hampers IT departments. There are bright spots of good practice, with huge investments in areas that wouldn’t have been considered five years ago, but such bright spots are few and far between. The sooner boards understand and endorse the true value of IT, the sooner digitalisation can flourish.

So what can the CIO do to drive this understanding? It is a question of focusing on the

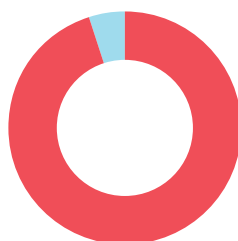
“It is not a matter solely for the IT department; to be successful, it needs a company-wide cultural shift



people. Conversations about digital transformation are too often focused on the technology, but transformation has to filter down from the top: starting with the executives who define the strategy, moving down to the teams who drive execution and finishing with the staff whose face-to-face work with customers can bring new insights that should be passed back up the organisation. Digitalisation necessitates a shift in people, remuneration and working practices.

CDW is clearly seeing the shift in IT from a traditional, internal service provider, along a transformation line that moves from broker of services, to broker of ideas and innovation, to thought leader. It is a shift that puts new pressures on organisations to identify the correct talent requirements for the future; no easy task, given that many of the jobs of the future have yet to be created. Businesses are getting younger (the average age of a Fortune 500 company in 2017 was less than 20 years according to a Credit Suisse study), while technology is changing faster than ever. CIOs need to look at the skills gap in existing talent, calculate how a bridge to tomorrow's world can be built, and determine today's recruitment needs.

Digital transformation, by its very nature,



95%

**Global CIOs who
see their jobs
changing because
of digitalisation**

Gartner 2018 CIO survey

cannot be delivered by any one department. It requires a change in how commercial, public and reseller organisations work. There is a need to move to multi-discipline, interdepartmental and inter-agency engagements, changing working practices to adopt iterative, results-driven and agile ways of working.

That change may also affect how staff are compensated. In a world where innovation and ideas are paramount, employees that generate creative practices or products should be rewarded for their ideas.

The level of digital disruption faced by the corporate world is huge. CDW as a service provider faces the same challenges as its customers, and has to meet its customers' needs by offering outcomes-driven solutions, communicated in the language business will understand.

IT has to understand that if it cannot relate its knowledge to the business, its relevance will decline; today's CIO needs to be able to participate when the leadership creates a knowledge-sharing culture. Change is the one constant for today's organisation, but by focusing on the why as much as the how, a CIO can demonstrate the continued importance of IT to a successful business.



Old-school industries take a lead from platforms

Established firms with real assets are looking to steal the disruptors' clothes

STEPHEN ARMSTRONG

Over the past five years, born-digital companies such as Amazon, Airbnb and Uber have built multi-billion-dollar businesses at speed. They have disrupted industry after industry with a business model that's open, connected and rapidly scalable. This has allowed them to create an ecosystem of developers, customers and suppliers that help growth and drive strategy.

Yet platforms aren't new. The Yellow Pages phone books, which 20 years ago generated nearly £500 million in revenues a year in the UK, were a form of platform business, says Professor Annabelle Gawer, co-director of the Centre for the Digital Economy at the University of Surrey.

"What cloud computing and smartphones offer is a network effect – Facebook becomes more valuable as more people are connected, so



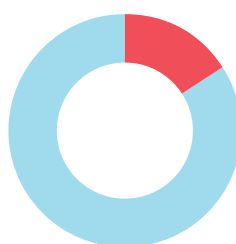
your market share of yesterday increases your market share tomorrow,” Ms Gawer explains.

“It’s a new way to unbundle the activities and assets that used to be fundamental to a corporation. There’s no need to invest in new assets because the real investment is in being attractive to customers and suppliers.”

The ability to start a platform with minimal assets – usually by creating an electronic marketplace for buyers and sellers – is driving innovation. Small firms can potentially disrupt large industries by connecting buyers and sellers in innovative ways, collecting commission along the way. Airbnb, founded by three roommates “to make a few bucks” and which had 2017 revenues of \$2.6 billion, is the classic example.

But the platform dynamic starts getting interesting when it is adopted by established firms with real assets (and real businesses that may be threatened).

The question older industries are asking is: can we steal the start-ups’ clothes and build our own platforms?



16%

UK executives who believe their company has the talent pool to deliver on digital strategy

Deloitte Digital Disruption Index 2018

Automotive giants like Fiat and BMW are building ecosystems around connected cars, which use mobile internet technology to control key functions. In the defence industry, BAE Systems runs Portsmouth Naval Base but collaborates on maintenance, staff accommodation, leisure facilities and catering with engineering firm Babcock, food services and uniform supplier Aramark as well as the Ministry of Defence. Is Portsmouth Naval Base a platform? Arguably, yes.

At this scale, platform strategies start becoming hybrids, blending gig economy staffing patterns and supply-chain optimisation such as subcontracting. Pure play platforms, however, are rarer and only gradually coming to market.

The following three platforms deliver network effects to old-school industries:

Tootle

Tootle is a consumer-to-business platform connecting people trying to sell their cars to a network of 2,000 dealers across the country. Launched in 2015, it began as a peer-to-peer site, taking on the likes of Autotrader. In 2016, according to Tootle’s digital director Amy Buckley, the company pivoted – now the only buyers on the platform are professionals, which gives sellers confidence in their deals.

“Car selling is difficult – consumers don’t know how to value their car, handle the logistics, ensure and secure safety and manage payment,” says Ms Buckley. Tootle offers guide prices for sellers based on the same trade data that dealers use, emails dealers every time a new car is on the site and then manages an eBay-style bidding process. To date, the team – drawn from the automotive industry and its media – has helped sell £45 million worth of cars. To build the network, they take no transaction fee.

Tootle’s platform approach is going toe-to-toe with controversial secondhand car-buying site webuyanycar.com. The latter, however, offers online quotes then purchases cars directly – requiring 200 branches to handle final inspection and purchase. Tootle’s platform, conversely, is asset-light, with dealers valuing, bidding and inspecting cars themselves.

Ms Gawer says: “Companies trying to control everything, from employees to supply chain, invest money and time in premises

“It’s about a trusted brand curating an ecosystem that can nudge, notify and engage

and in telling people what to do. With platforms you only have to show them how to connect.” In the battle of the disruptors, this is the purest test of platform vs asset-owning competitors.

Potentially disrupting:

The local garage forecourt. General car-trading websites such as ebay Motors and Autotrader.

Competitive advantage:

Asset-light. Auction-based system should ensure price transparency.

First Direct/Bud

Fintech is an especially aggressive launch sector, in part due to the relaxing of banking regulations. To manage the rush of new companies trying to attract its customers, First Direct’s owner HSBC is trialling an open banking platform with fintech start-up Bud. “We’re making First Direct into a financial hub for customers,” says Raman Bhatia, head of digital, UK and Europe at HSBC. “There’s a lot of choice emerging around more inclusive money management, so banks need to be more engagement driven, not transaction driven.”

The app – in beta trial – takes inspiration from Asian e-commerce platform Tencent, which looks and feels like a bank. The service is available to customers and non-customers alike. It enables people to link accounts from all their different banks securely in one app, and offers a range of third party services – including money management, electricity comparison and help-to-save apps.

Mr Bhatia says: “This is not the evolution of banking into an open platform. It’s about a trusted brand curating an ecosystem that can nudge, notify and engage to help people stop dreading looking at their account.”

Potentially disrupting:

New fintech companies from challenger banks to money advice services. Financial advisers. Price comparison websites.



34%

Global CIOs planning to invest in 'digital labour'

Harvey Nash/KPMG CIO Survey 2017

Competitive advantage:

Extensive existing customer base and trusted brand name.

Yagro

Farming is the oldest industry in human history, but the roughly 200,000 farmers in the UK face a big upheaval post-Brexit. Under the European Common Agricultural Policy, UK farmers receive £3 billion per year. The government has said that the current subsidies will remain until 2022, but it is unclear what will happen longer term. So farmers will need tools to manage their businesses to survive the uncertainty ahead.

Yagro, a farmer’s marketplace and analytics platform, was launched by Gareth Davies, chief executive, Richard Sears, head of product & marketing and Daniel Jolly, head of business development and a former farmer. The platform includes internet of things integrations, such as sensors that monitor farmers’ fuel stocks and automate re-ordering.

Mr Davies says: “We connect buyers and sellers of bulk industrial goods such as fuel, agrochemicals, fertilisers and seeds. Platform purchases range from a few pounds for a spare part on your tractor, to £40k for a truck load of diesel or fertiliser. Farmers are traditionally cautious people who rely on personal relationships but lack of transparency means some farmers pay up to 55 per cent more than others for key products.”

Mr Davies is keen to stress that new systems work best in harmony with existing ideas. “While we’ve tried a whole range of approaches to reach farmers, the most powerful has simply been direct recommendations,” he says. Some things never change.

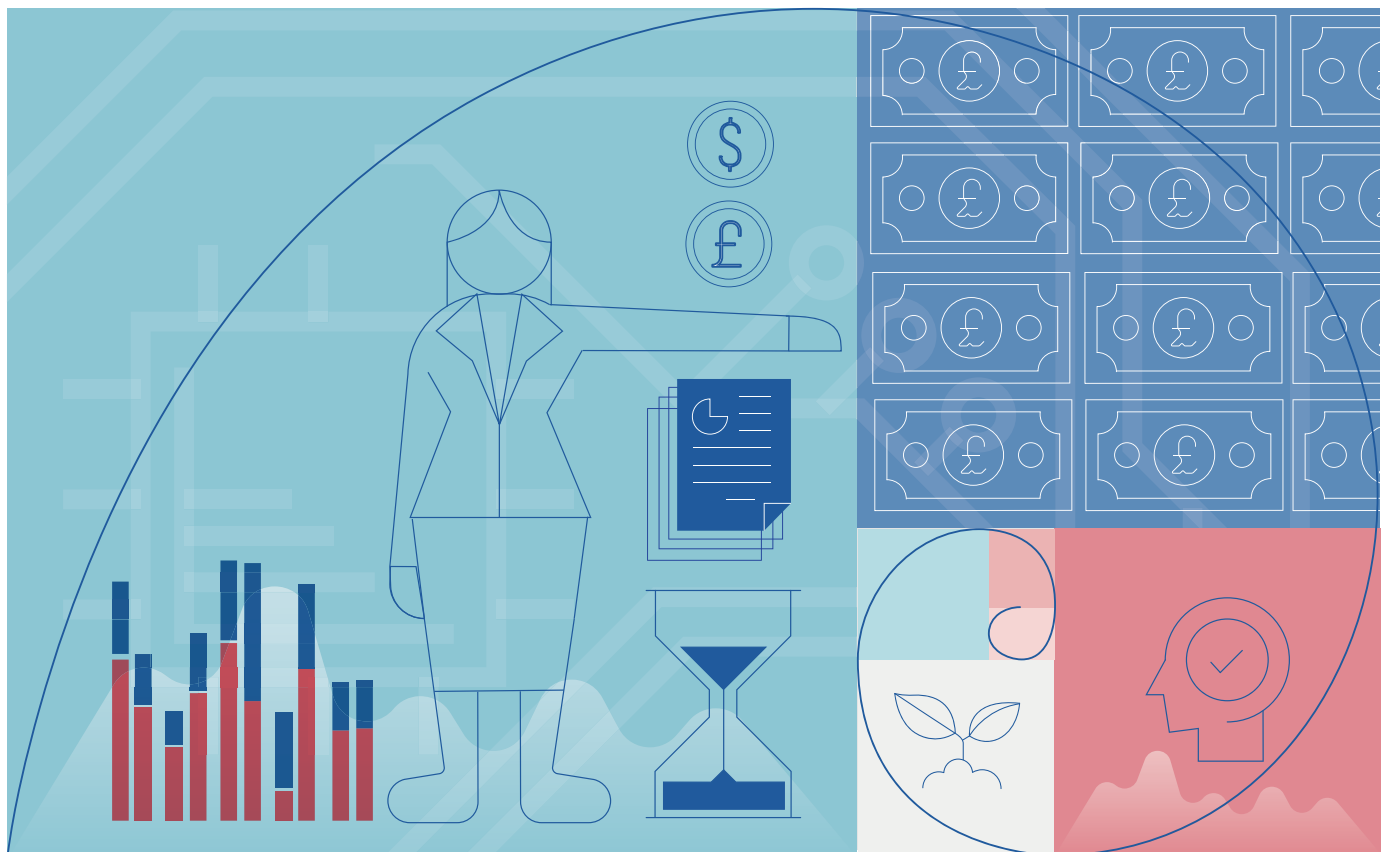
Potentially disrupting:

Existing, highly consolidated supply industry.

To date, this sort of purchasing has all been offline, meaning busy farmers spend time calling, haggling and negotiating with suppliers and feed merchants.

Competitive advantage:

By connecting farmers to a marketplace, they no longer rely on their own hunches to price purchases. In agrochemicals alone, Mr Davies believes UK farmers are overpaying by £200 million – and agrochemicals only represent 3 per cent of total costs in UK farming.



Transformation: it's all about competence

Identifying strengths and augmenting them is key to a business's ability to change

LOU LWIN

What is the source of business transformation? Technology? Changing processes? Leadership? Innovation?

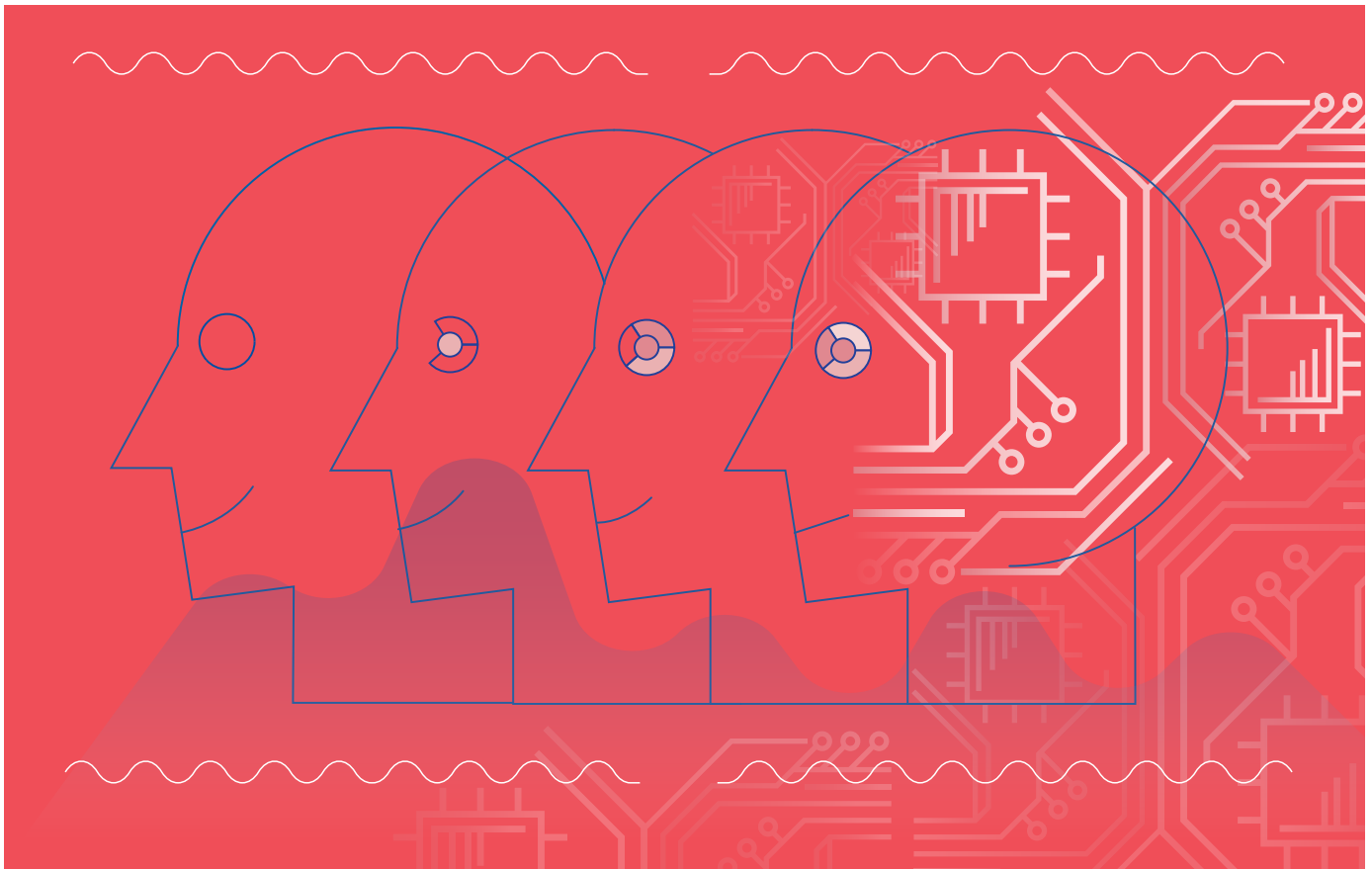
It can be all of the above. Sometimes just one component can precipitate positive transformation and at other times a combination is required.

In cellular biology, transformation is a process that results from a cell's "competence" – its ability to change, whether that occurs naturally or is artificially induced. Applying this analogy to digital transformation, we need to know what our competencies are and when they need to be augmented.

At Markerstudy, a privately owned group centred on insurance and related businesses, we worked hard to understand where we needed to supplement our competencies in order to trigger positive change. The first thing that became apparent was that we needed room to grow – space to flex our innovative muscles.

We realised that if we spent our IT resources on reactive tasks such as routine support we would never be able to focus on the processes that build long-term business success.

We approached this by standardising our technology stack, simplifying our supply chain and dropping any activity that did not add value. Simple things like removing email as a mechanism to request support instantly bought back precious time that was then



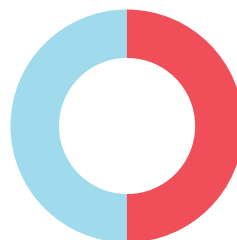
spent managing the systems that support each business unit.

We found that by removing complexity we could focus properly on digital transformation. Once we had created this space we first focused on big data with the aim of finding applications that would prove the value. One early project using big data analytics allowed us to make phenomenal financial improvements by detecting, at the point we were quoting for insurance business online, the possibility that a customer would commit fraud. Using gathered anonymised data, we could provide artificial competence and automated insight that allowed us to write only the business we wanted to accept risk on.

Our next step was applying machine learning algorithms to the other end of our business, customer retention. We boosted retention by 40% in less than six weeks by introducing more accurate pricing for our customers at the time of policy renewal. This digital transformation was achieved not only in a very short space of time with a positive effect on the bottom line but also increased customer satisfaction.

What about people?

Efficiency can be derived from non-technological change too, so when you look at transforming



50%

of global executives believe automated systems will free up their own time

Dell Technologies survey 2018

“We found that by removing complexity we could focus properly on digital transformation

your business, do not be blinded by technology. Some of our operational improvements allowed us to reduce delivery to 40% of the original time with 66% of the original resource in just 5 weeks. Natural competence at its best.

Don't lose sight of the desired outcome – innovations in technology very quickly take on a life of their own and can become the end as opposed to the means. However, with the appropriate balance between natural and induced competencies, digital transformation is not only achievable, it is a pathway to success.

Lou Lwin is group head of enterprise architecture at Markerstudy Group

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