NTT Global
Forum 2015

Roundtable

Generating new business models for the digital age

CORE ISSUES

- Defining what digital transformation means to your company
- Identifying internal champions of change
- Choosing suitable external partners
- Rethinking what you produce - recipe for disruption

DEFINING WHAT DIGITAL TRANSFORMATION MEANS TO YOUR COMPANY

The term "Digital Transformation" has been used much in the last few years, yet its fundamentals still remain elusive, and the term itself seems to generate a raft of different definitions. And because every business is seeking the new business models promised by a digital world, the term 'digital' tends to get put in front of some activities that have been carried out for years.

So it is important to recognise that digital transformation is about innovation in all aspects of the business. It means using technology to do things a business has not done before. And it must involve measuring the customer experience and making radical improvements to that experience. Establishing what digital transformation means to that company is the starting point, which then leads to the ways and means of achieving that metamorphosis.

IDENTIFYING INTERNAL CHAMPIONS OF CHANGE

For some companies, the straightforward route to digital transformation is to appoint an Innovation Team. However Innovation Teams often create problems as well as solving them. To do digital transformation properly takes more than just a new layer of management. This team has to have access to the company's strategic thinking and be able to understand the bigger picture of where the business is heading.

A company should look at its digital transformation programme and ask who owns it. This can be harder than it sounds. A series of internal business units each with their own management structure often have a stake in the plan. So identifying one individual who is responsible for the overall success of change is tough. The way around this is to create one champion whose role is to organize the programme.

Innovation Teams need people, so a company has to decide whether the team is recruited internally or hired in. While internal employees have a great grasp of the business itself, they are often expected to effect digital transformation while continuing to carry out their regular work. This undermines the effectiveness of such teams.

KEY TAKE-AWAYS

- Create an innovation team
- Review the IT estate
- Develop a strategic plan
- Consider the impact on the customer.

CHOOSING SUITABLE EXTERNAL PARTNERS

One obvious source of digital transformation is to turn to one of the numerous consulting firms that specialize in business change. But a common experience is that while consultants can deliver a report on what is needed they do not stay around to implement these measures. So they never really own the change. And that ownership is absolutely crucial to the success of a digital transformation plan.

This perceived failure by consultancies has created a window of opportunity for telecoms groups such as NTT. There is a strong sentiment that if a telecoms company can lead a business into Cloud computing and stay involved with that change then both parties will win. Retaining ownership means staying the course. The customer gets to see real transformation taking place while the telecoms company can stand out from the mass of vanilla suppliers in this space.

RETHINKING WHAT YOU PRODUCE - RECIPE FOR DISRUPTION

In order to win at digital transformation a business should change the way it views what it produces. The automotive industry is a good example of this. Car manufacturers are looking at the models in their range not as vehicles but as devices that are full of digital equipment which can be used to generate revenue. Whatever sector a company operates in, it should be prepared to import bright ideas from other industries.

However it is true that brand-new businesses find the whole digital model much easier to implement. Uber is an example of a business that has taken a radically different approach to running taxi services. It was able to do this because it started life as an app, not an operator of a fleet of cars. Likewise Netflix succeeded from a clean sheet, and also because it focused on the user experience.

Industrial behemoths such as US giant GE talk about digital transformation but they are handicapped by having to keep the existing business running at the same time as changing it. This brings the argument back to the reasons why an external team is often the best resort. They will not be preoccupied with their regular work and can operate at a much faster pace.

CONCLUSIONS

What should every business do to make its digital transformation effective? Recent experience suggests a practical checklist.

- Define what digital transformation means to your company and share that picture with the suppliers
- Get key individuals to back the change and it will be accepted by their colleagues
- Remember that the generation entering the workforce are totally immersed in digital technology. So all businesses must ask how they are going to sell to this demographic
- Digital transformation is not all about cutting costs. It is about changing the customer experience
- Be prepared to change the nature of the business. If the information a product line generates can be exploited for profit then mining that data can become the main activity of a company
- Forget the old model of IT. The digital revolution has turned technology into a commodity for mass consumption.

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