

How digital leaders outperform their peers

One of the big global technology stories this year is the expanding divide between the digital haves and have-nots. As the World Economic Forum's new Global Information Technology Report 2015 highlights, the full benefits of technology are only available in countries that have embraced digital technology for the vast majority of their citizens. There's a similar digital dichotomy playing out in the corporate world too. The companies that are viewed as digital leaders are outperforming their peers in terms of growth, profits, and market valuation. It's increasingly clear that digital has become core to driving growth and transformation. You no longer have a choice. To lead in your industry you must be a leader in digital. And if you don't lead, you lose

If everyone can appreciate the transformational power of digital, why do some companies get it right while others get it so terribly wrong? Why do so many companies cling to an outmoded technology or fumble with outdated processes and products, while others capitalise on the opportunities of the digital era? It's usually not because of one major event or one big decision. Eighty percent of corporate value destruction comes from bad strategy decisions. The trick is to improve your hit rate so that time after time you make the right strategic choices to drive both technology-enabled growth and business model transformation. We studied some of the world's most successful companies and uncovered five critical ways to get it right

1. In digital, as in everything, stay true to who you are. Every truly great strategy tackles the question "Who are we going to be?" As digital becomes central to your strategy, answering this question is as important as ever. The most capable companies have a clear answer; they understand the job they are uniquely qualified to do in the market. And they use this identity to drive growth over the long term. They resist the temptation to follow new technological approaches that don't fit their identity. Every choice about digital technology, business model, or product experience is aligned with who they are

Apple remained true to its vaunted human-centred design capability, applying it to personal computers, smartphones, tablets, and, most recently, the watch. A decade ago, LEGO had expanded rapidly into theme parks, clothing, books, and video games and got into trouble — losing almost US\$1 million a day. In a remarkable turnaround, they are now the biggest toy company in the world. They achieved this by streamlining and refocusing on the building system that is the core of LEGO's unique identity. Its recent efforts in digitally enabled offerings like Mindstorms and Dimensions are further examples of staying true to that "brick by brick" identity and extending it "click by click."

2. Build capabilities, not IT functionality. The most successful companies don't focus only on functional excellence. That's a trap. You will end up in the same place as your competitors, following the same benchmarks to create similar products and services. Instead, focus on building a handful of distinctive capabilities — things your company can do better than anyone else. These are usually complex and highly cross-functional combinations of people, processes, tools, and expertise that make your strategy executable

For example, the most successful “sharing economy” companies, such as Airbnb, Lending Club, TaskRabbit, and Uber, don’t just rely on their business models. They invest significant effort into developing the capabilities required to support a simple, real-time, user-friendly mobile service that seamlessly brings together both buyers and sellers. The retailer Nordstrom is investing \$1.2 billion this year — largely aimed at extending its capabilities to deliver a personal, seamless customer experience into digital channels. The company already gets a much higher-than-average 18 percent of its sales digitally, fueled in part by innovative online acquisitions like flash sales site HauteLook and personalised men’s clothing service Trunk Club, and is clearly building for more

3. Cut costs and invest in reimagination. In digital investments, cycle times are short. You need to manage costs with great agility and flexibility, so you can redirect resources rapidly to the initiatives that further your strategy and lead to growth. You don’t always know in advance which investments will fit best, so be prepared to pivot quickly and to ruthlessly sunset the initiatives that turn out to be distractions. In other words, run your digital efforts and investments like the startups you compete against — even if you’re inside a big company. This will help unlock the entrepreneurial mind-set you need

Bet big. You can’t just reengineer and tinker on the margins. You need to reimagine how you participate in your industry, interact with your customers, and position yourself in the market. You need to innovate beyond the legacy constraints of your business and move into white space. You need to prepare to win against competitors both known and unknown. Cutting unnecessary costs gives you the room to invest in reimaging your future. That’s the strategy behind Target’s recent announcement that it plans to take out \$2 billion in costs to fund investments that support a more digital future. Target sees digital experiences as the strategic driver of increasing guest engagement, which in turn leads to more, often higher-value, shopping visits. As a result, Target is planning to strengthen its capabilities in localisation, personalisation, data analytics, and user experience so that customers can get what they want, when they want it — and increasingly do so from a mobile device. Another example: Since 2010, State Street bank has been on a mission to cut operating costs by \$625 million and fund a wholesale digital transformation including building a private cloud and new enterprise-wide data analytics capabilities

4. Put your culture to work to drive your differentiation. Instead of fighting your culture, zero in on the aspects you can leverage to help build a more connected, more agile, more digitally enabled enterprise. Consider what’s unique about how you get work done, how your people solve problems, and how you create value for your customers. Online retailer Zappos has a culture that doesn’t apologise for being unconventional. In fact, “creating fun and a little weirdness” is one of their core values. A small example: When a customer completes an order, they get a lighthearted message saying “Woo hoo!” This unique culture cultivates engaged employees and helps fuel an obsession with customer service from every warehouse employee all the way to the CEO (aka “Our Monkey” on zappos.com)

When employees are engaged and empowered, it pays off. Healthcare company Aetna went from losing about \$1 million a day in the mid-2000s to making \$5 million a day. The key? Leaders made the most of their employees’ pride in providing premium service to patients, providers, and employers

5. Shape the future by putting your customer at the centre. Instead of chasing growth by responding to what consumers say they want or need, change the game. Create demand by getting out in front, shaping the wants, and redefining the needs of your customers. Your digital prowess makes this possible. It helps you understand what your consumers or customers need before they do themselves, and it enables you to build user experiences that reach those needs directly

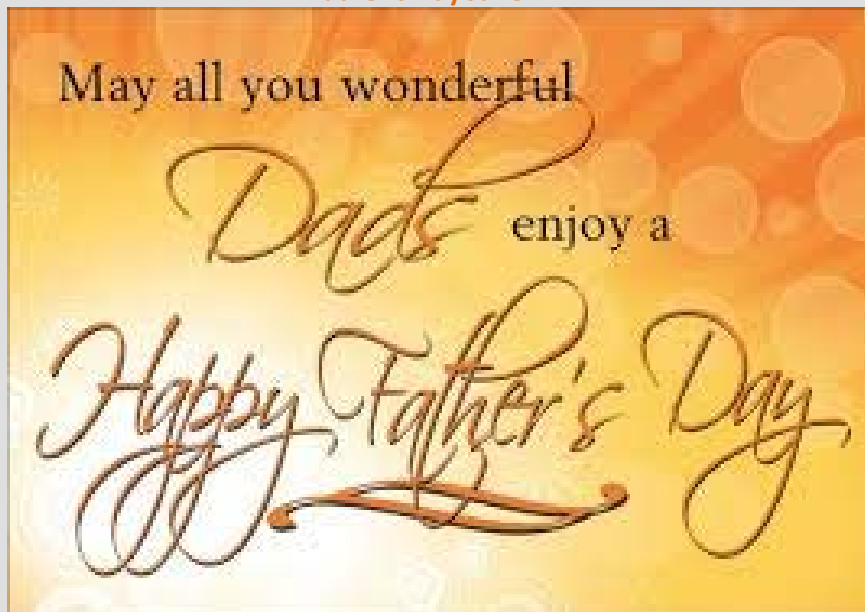
Think about how brilliantly IKEA does this by focusing on how to make life better for people, ultimately creating global demand for its affordable Scandinavian design. IKEA insists on managers conducting home visits to understand how people live at home, what challenges they’re facing, and what frustrates them (like tangles of technology wires). This privileged access to customers allows IKEA to shape what their customers want and

redefine their needs — like the new home furniture and accessories range IKEA recently released. It allows customers to eliminate electronic tethers and recharge their devices wirelessly, like simply by sitting on the couch with their gadgets. If you get there first and fast — informed by the user — you stand a much better chance of shaping your digital future, instead of being shaped by it

Combine these five principles with a bold digital vision, a bias for action, and a strong point of view on where technology is heading — and you will be ready to capture the lead in your industry. And, along with growth, the best proof will be when your customers share, tweet, and post about your digital success

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Father's Day June 21st



Youth Day June 16th

The Orange Recruiting team wishes the youth of Mzansi a fun filled, relaxed youth Day.

We cannot always build the future for our youth, but we can build our youth for the future. Franklin D. Roosevelt



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