

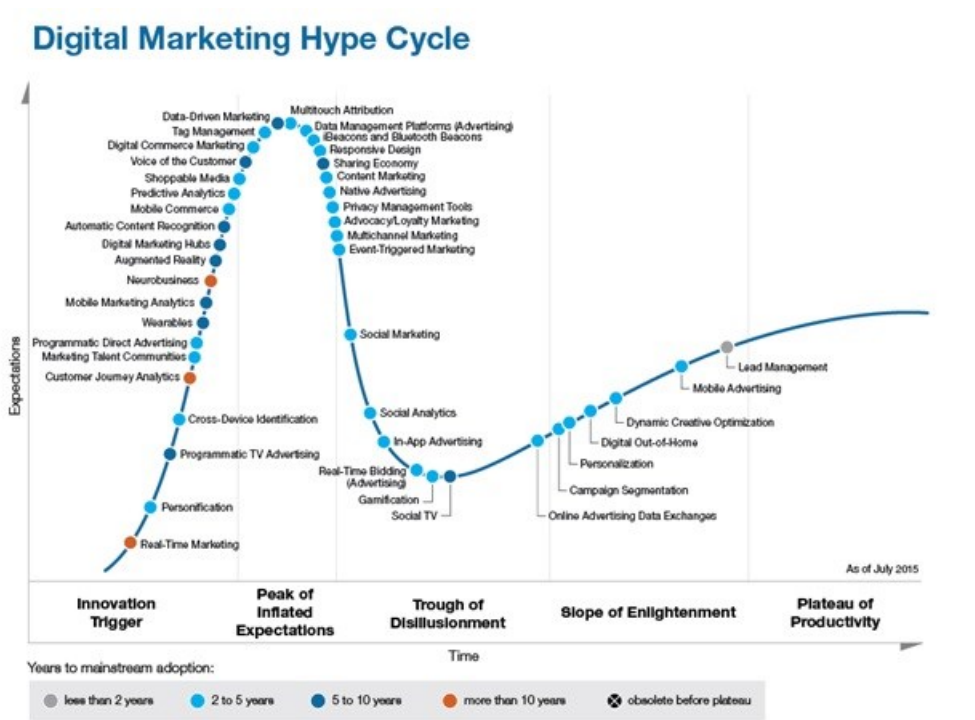
How will you speed through the digital trough of disillusionment?

By Ilse van den Berg

22 Sep 2017

Peter Sondergaard, Gartner executive VP for research, addressed CIOs and senior IT executives in his keynote at the annual Gartner Symposium/ITxpo in Cape Town. He gave delegates tips to speed through what he calls the 'digital trough'.

He says four years into digital shift we're finding ourselves at the peak of inflated expectations. If the hype cycle teaches us anything, a trough is coming... a digital trough of disillusionment.



Source: Gartner

Sitting at the peak, how do you proceed? Some companies don't want to face the music, they close their eyes and hold on for dear life, hoping to survive. Unfortunately, these companies might not make it through.



“ You might think you're not getting on board, but you have no choice. You must get on the ride. ”

How will you speed through the trough?

The disruptive power of digital in retail

Sondergaard used the example of Amazon which clearly demonstrates the disruptive power of digital in retail.



In 2005, traditional stores convinced themselves that nobody would buy clothing online. “Everyone wants to try it on,” they thought. They were wrong. Customers flocked to online stores and to more nimble supply chain optimised brick-and-mortar stores like H&M and Zara. “Ultimately, the big department stores lost,” says Sondergaard.

This year, Amazon became the largest retailer in the US. The incremental growth of its clothing lines alone will dwarf the current revenues of major competitors.

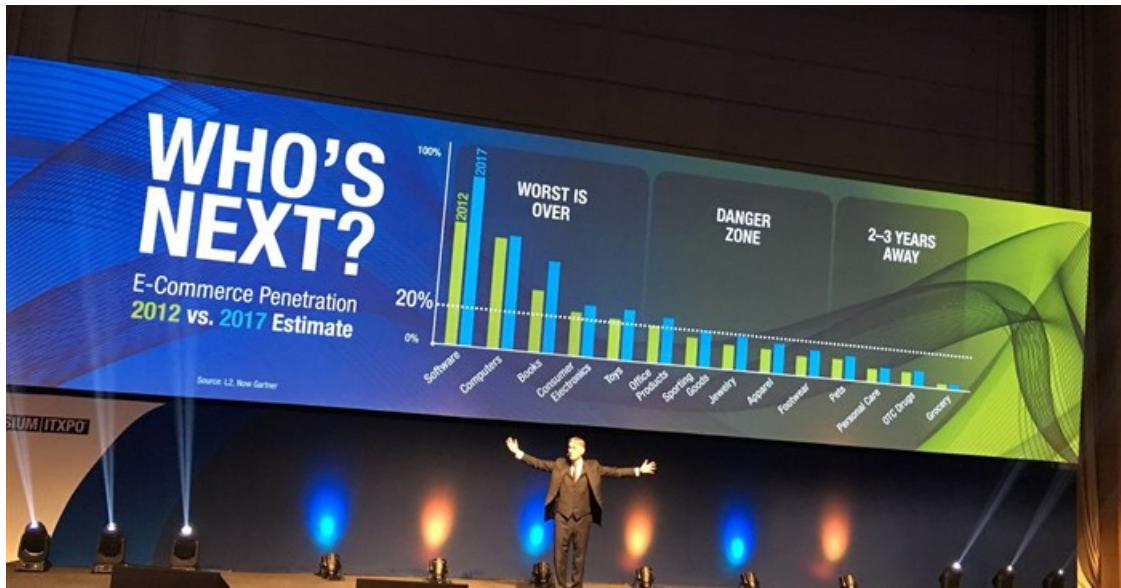


It's quite clear that e-commerce and digital are affecting every retail sector.

He pointed out that a clear pattern emerged: once *digital* revenue for a sector (any sector) hits 20% of *total* revenue, hyper-competition begins. What happened with books, is now happening in clothing.

“ It seems disruption is the newblack. ”

Sondergaard is of the opinion that this will go all the way to grocery over time. He says that digital revenues may be low now, but with the acquisition of US fresh food retailer, Whole Foods, it is set to disrupt the *entire* retail food industry.



"Watch out, then, for that 20% mark, because this is the disruption point," he says.

The benefits of embracing digital

According to Sondergaard, digital transformation lets organisations serve new and unmet consumer needs to find new ways to use excess supply in capacity to exploit new platforms for marketing and capitalise on new channels.

Digital also exposes the weaknesses of incumbents. When prices rise faster than inflation, like it has in the cable television business, new entrants will offer more choices, better experiences, at lower prices - all due to digital.



“ When consumers move from brand search to category search, digital-driven organisations exploit and threaten analogue or traditional brand-focussed organisations. ”

He says that companies who've invested in more nimble end-to-end analytics-based supply chains and faster inventory management succeed, while traditional organisations struggle.

Brands that use Instagram, Facebook, and other non-traditional marketing channels are accelerating their transformation.

Creating new digital key performance indicators (KPIs)

In order to speed through the trough, all businesses should create a set of enterprise-wide *digital* key performance indicators (KPIs). Digital KPIs that become your enterprise's compass and are built into the objectives of every leader in the organisation.

“ Digital allows for deeper outcome-driven measures and they apply to all industries. ”

For example, for railways, not just measuring whether the train comes on time but how, instead, they deliver each passenger to where they need to go, on time.

"What are your digital KPIs?" he asked delegates.

"Right now the most important ones focus on speed. Two-thirds of all business leaders believe that their companies must pick up the pace in digitalisation to remain competitive. Their board of directors agree and they're getting impatient - changing executive leadership. For example at the largest retailers, tech companies, automotive, oil and gas - all trying to set the pace for a digital future."

A new breed of leaders believes we must use technology to meet our objectives, to create new experiences. Contrary to conventional thinking, the best experiences are not developed exceeding customer expectations, it doesn't mean delighting people.

In fact, Gartner's research shows that customers want an easy, effortless experience. Beyond a certain point, more interaction only harms the relationship. Customers and government constituents actually want you to get out of their way to make their lives easier.

How can you help as the CIO?

You should ask yourself what is your role as a CIO in creating that experience. Because, no matter what type of CIO you are, you play a part in digital transformation.

This will, however, look different for every CIO. To meet the digital challenge, you must understand what is expected of you but also consider what you truly aspire to be. You may be:

- **An IT partner:** Is expected to operate in a transactional way with a focus on managing services, core IT and value for money, while also enabling digital.
- **A digital builder:** Designs and enables new products and services, working with others across the enterprise.
- **A digital pioneer:** Acts as a business entrepreneur, leveraging technologies to build new capabilities, new business models, and new revenue streams.

No matter which one you are, all these roles have value. Perhaps you are all three simultaneously. You need to ask yourself which type of leadership you need and when.

How to speed through the digital trough and create digital value at scale

There is no universal roadmap. He says digital is often about the unexpected benefits that emerge when technologies are applied to existing operating models and thinking. It's best used to invent something entirely new.

Yet, uncertainty worries organisations and prevents them from achieving the scale that fixes their organisational ambitions.

"Chief strategy officers tell us that is exactly what is happening now: a lot of small experiments - none of them large enough to matter. Great ideas with some great potential, but organisations lack the bravery to make transformational bets. Which means that leaders must take the lessons learnt from experiments and build them up across and then out, quickly," he says.

Value vs scale

Value in this context centres around organisational ambitions - optimising your current business and pursuing new business models. Basically, it's about efficiency and growth.

“ If your organisation is not creating a new digital business model or new ways to engage customers, you are falling behind. You are going back into the trough. ”

Scale, on the other hand, isn't merely about getting bigger. It's not necessarily that the largest organisations will win, although that was once true. In the new world of interconnected platforms and ecosystems, smaller organisations can rapidly compete with the largest.

Three aspects of scale

1. **Scaling up:** Gaining efficiencies. Maximising output relative to input.
2. **Scaling across:** Quickly taking capabilities and lessons learned from one organisational unit into another. Here scale means speed more than growth. It's not merely about technology, but more about the organisation's agility. How leaders lead. Creating a culture that learns and adapts.
3. **Scaling out:** Interconnecting platforms and ecosystems in both an internal and external world. Combining growth and speed. This is where digital gets truly transformative.

Three scale accelerators



1. **Digital dexterity:** New organisational design and new talent mix for a new working environment. One that is more collaborative, agile, analytical, innovative and creative. It's about strategies for tools and capabilities - putting control in the hands of your team and using digitally inspired approaches to create value.

Ultimately it's about creating a high-performing digital workplace. Because organisations must change internally before they can change externally.

2. **Network effect technologies:** A unique set of technologies will speed you through the trough, those that create virtuous patterns of growth. Where waves of disruption build upon each other exponentially. He focussed on IoT (making the physical world smart), API (application programming interfaces creating exponential growth for new applications), and AI (artificial intelligence systems that learn).

The network effect technologies transform the CIO's work from making tactical technology decisions to building strategic platforms.

3. **The digital platform:** The digital platform is IT systems to run, customer experience to engage, things to sense, intelligence to decide, and an eco-system foundation to interact. Industrialise the digital platform.

Sondergaard is of the opinion that developing these three scale accelerators will position you to speed through the trough to create value at scale.

Whether you are an IT partner, a digital builder, or a digital pioneer you can succeed and embrace digital transformation for the benefit of your customers and your business.

ABOUT ILSE VAN DEN BERG

Ilse is a freelance journalist and editor with a passion for people & their stories (check out Passing Stories). She is also the editor of Go & Travel, a platform connecting all the stakeholders in the travel & tourism industry. You can check out her work [here](#) and [here](#). Contact Ilse through her website [here](#).

- #StartupStory: Aura security app to aid beleaguered Uber drivers - 13 Jul 2018
- #StartupStory: BlockMesh - 12 Jun 2018
- Taking telecoms to the next level: Who needs a long-term contract? - 4 Jun 2018
- Nokia makes a comeback in South Africa with new phones - 24 Apr 2018
- New Cape Town/Brazil subsea cable to boost SA broadband - 18 Apr 2018

[View my profile and articles...](#)