

What Companies can Ride Successfully the Tsunami of Digitalization?

With the lifetime of companies in the Fortune 500 becoming shorter and shorter and with 40 % of them expected to be replaced within the coming 10 years it is understandable that there must be some sense of urgency in the Business world. I am sure it is the case with the Fortune 500 or similar companies but not with the average company in the industry. In fact the forecast is based on historical trends and with key technologies growing exponentially the 40 % is conservative. The biggest impact will be for companies with significant and growing information content.

But what is driving all these accelerating changes?

Digitalization of information content, Hyper-Connectivity, Exponentially growing new Technologies (e.g computing, AI, Robotics, 3D printing, Data Analytics, ...), Urbanization Growth, Crowdsourcing, New Business models that increase the information content and consequently dematerialize, demonetize industries and/or democratize industries,.....

These are the preconditions for the ‘perfect storm’ that will soon rage through most incumbent businesses and will disrupt many...They are also the preconditions for an unparalleled surge in innovations by new and (some) incumbent new businesses that will reshape the corporate landscape for decades to come....at least for those that see the opportunities and are prepared to embrace them.....

Before I answer the question of what companies will succeed let's use examples to underpin the preconditions of the **perfect storm** :

- **Digitalization** : The smartphone (Apple, Samsung, Xiaomi,...) **dematerialized** more than 60 % of the Consumer Electronics Industry . Physical Products become digitized and are distributed as 'bits/bytes'. Previously separate functions/products like Camera, Video, Navigation system, Audio set became a software function within a smartphone.
- **Hyper-Connectivity** : The quality of Connectivity is improving and the coming 5-7 years it is expected that 2 billion people will be added to the connected world. This means more innovation, more consumers, more entrepreneurship and more competition.
- **Urbanization** : It is well known that with the growth of Urbanization the Innovation rate is increasing due to concentration of talent in close proximity.
- **Crowdsourcing** : You can now hire an 'expert on demand' or find resources for almost everything
 - Concept Design, Product design, go to market (Quirky)
 - Concept Validation(Reward Crowdfunding e g Indiegogo)
 - Computational resources (Amazon, Rackspace,...)
 - On demand workforce (Freelancer, Mechanical Turk)
- **Demonetization** : Reduces the value of a market segment (especially services but not only) by introducing a new Business Model

- Skype >> Long Distance calls
- iTunes >> Record stores
- Amazon >> Book Stores
- AirBnB >> On line booking, Hotel Chains
- Uber >> Taxi Fleets and beyond

- **New Exponentially Growing Technologies:** Enable companies to expand their reach to other industries (e.g. Google and Apple so the business become more and more competitive) and speed up exponentially the introduction of new innovations. **Everything becomes faster, smaller, cheaper,...** For Individuals it means they have with a smartphone unbelievable power comparing with only 10 years ago. Consequently we can expect more and more entrepreneurship.

Although there are more reasons for the **perfect storm**, I believe the examples are sufficient. Now the question is what should be the response of companies in order to be able to ride successfully the Tsunami of digitalization? Here I will focus on the WHAT not the HOW.

- 1. People:** Have the right people for the right job, people that are comfortable with uncertainty, chaos and change. Adjust your HR policies to treat millennials as they expect to be treated (offer flexibility, reward performance, offer opportunities for learning,...). Establish a suitable new company **Purpose** that all stakeholders resonate with.
- 2. Establish a culture that rewards risk taking, transparency, speed, adaptability and accountability. Stimulate and reward Open Mindedness and High Performance.**

- 3. Manage the communities and crowd as an integral element of your company's success.** In the era of connected, shared, crowdsourced and on demand almost for everything innovating through crowd is a wise option.
- 4. Create the conditions to be comfortable to compete not with 20 % improvement but with 10 -100 X better, faster, cheaper, smaller.**
- 5. Design iterative experiments using prototypes with customers and community to validate various concepts as well as improve and expand the User Experience.**
- 6. Leverage as much as possible 3rd party assets.**
7. As the business environment is accelerating create the conditions for **faster decision making** through modern internal collaboration/social networking tools (e.g Dropbox , Google drive,....), automate through algorithms and interfaces with the external world and allow for much more autonomy especially at the organizational edges closer to the customer .
- 8. Embrace the appropriate new technologies to be able to increase speed and the quality of customer insights.**
- 9. Devote more resources for business model innovation** and change your business model accordingly as the Business model becomes the product.

10. Invest in relevant accelerators/start-ups to Innovate autonomously outside of your core business

For an incumbent company this is easier said than done and as we are dealing with a massive change the companies that will be able to ride the waves will be able to succeed. It is my conviction that the great majority of the companies are not prepared for the Digitalization Tsunami and I welcome remarks or questions.