Six steps to becoming a truly digital business

Old definitions of digital won’t suffice in a new era of partnerships and reinvention.

By Narry Singh
Ask a dozen CEOs what digital means to them, and you’ll likely get a dozen different answers. That’s not a sign of ignorance, but simply a sign of the times. The digital era is still quite young, and many executives continue to have their own take on what it all means.

Given the constant noise around digital disruption, it’s not surprising that many organizations confuse being truly digital with simply bolting digital technologies onto existing offerings. This strategy of incremental innovation may satisfy immediate customer appetites for greater accessibility and convenience, but it’s not enough to help organizations drive significant and sustained revenue growth to stay ahead of the competition. Becoming a truly digital business requires much more than doing the same old things in different ways.

Over the past decade, many of the organizations that have attempted to go digital have done so by launching e-commerce platforms, hiring chief digital officers, developing mobile apps, or creating incubator or accelerator programs. Most of these initiatives, while noteworthy, are merely digital add-ons to the core business. Many executives may now ask, “Is this it? Has digital really moved the needle for us?” The answer is a qualified yes—but now leaders need to start thinking differently about digital in order to capitalize on its full potential.

To be truly transformative, digital must be a core part of a company’s business strategy and deeply embedded into every element of its mind-set, culture and operations. Huge potential awaits, but many organizations are just scratching the surface.

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Embracing a digital mind-set

Today, businesses don’t need a digital strategy but rather strategies to thrive in the digital era. As startups relentlessly and unapologetically pursue the market share more traditional companies have typically dominated, incumbent industry leaders must fight back through the power of digital reinvention to regain relevance.

For some incumbents, the transitional phase of the digital revolution is already taking shape. We see organizations breaking with traditional mind-sets focused on total control or ownership now taking a different approach—and not being afraid to fail.

The creation of new business structures and services, the rise of partnerships with digital startups, creative ways of incentivizing customers, new approaches to attracting digitally savvy talent, and the development of digital ecosystems for open innovation are all evidence of organizations pivoting to become inherently digital.

For example, Ping An—a leading personal financial services provider in China—has expanded its business boundaries by developing a value network to connect its various e-commerce and financial services businesses. The company now has 3,600 specific data elements it can use to better segment and cross-sell products and services to its customers. Ping An is also using innovative technology platforms to connect its value network—such as peer-to-peer lending, enterprisewide customer loyalty and connected payments across services through its wallet program.

Such innovative moves will be key for organizations if they are to realize a successful digital strategy in the next 10 years.

However, many incumbents have more work to do. Lots of organizations are still not prepared for the new digital era. An Accenture Strategy study reveals that only 21 percent of global business leaders would call their organization a digital business today, and less than half of business leaders have implemented a digital strategy at the enterprise level.
Becoming a disruptive business

The true disruptors leading the digital charge look beyond their traditional business models or markets to identify new areas of growth. These businesses reimagine the utility and value of digital resources to create new offerings and build cult-like followings among their customer base. Their primary driver is monetization, and they understand that keeping a fresh perspective is key to spotting new opportunities.

Successful organizations know they must think beyond existing business boundaries to succeed. Accenture research found that leaders at 78 percent of large organizations believe that working with entrepreneurs is “important” or “critical” to their own growth and innovation.

Some businesses are starting to make the shift. For example, Fossil Group’s acquisition of Misfit gives the fashion giant access to the latest wearable technology for its watch and accessory division. And McLaren Group’s rebranding to become the McLaren Technology Group, signaled a new direction where the organization will now apply its Formula One racing technology and expertise to other vertical industries.

Following a similar approach, Kingfisher announced significant digital investments to unify its home improvement business, enable operational efficiencies and deliver more optimized customer service. And Qualcomm, a onetime manufacturer of cell phones, is today becoming a leading fabless provider of end-to-end semiconductor and software solutions for the Internet of Things—another powerful example of a large organization harnessing digital innovation to unlock new opportunities for growth.

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Paralyzed by risk and change

Yet adoption of a new digital-era mind-set may not happen overnight. Digital can still feel like a gamble, even for the most business-savvy CEOs and their boards of directors. It is unchartered territory, and that can unsettle the risk-averse.

Research from Accenture Strategy indicates that more than half (54 percent) of global business leaders would prefer to be “fast followers” or take a “wait and see” attitude when it comes to adapting their business strategies in the face of digital disruption. Regardless, those that fail to move quickly will inevitably get left behind with the likes of Blockbuster, Woolworth and Kodak.

But just because disruptors are already blazing new trails and making up the rules as they go doesn’t mean that wary large incumbents can’t do the same. While it’s true that building a greenfield digital organization can be easier for new market entrants unencumbered by traditional practices, established organizations can drive toward the same digital outcomes with a more structured approach.

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How to create a digital business

Where should executives in large incumbent organizations start in order to climb over disruption paralysis and take a chance on digital?

1. **Ring-fence time for creative thinking:** Organizations that want to break the mold of established structures and mind-sets should provide time for brilliant thinkers from across the business to come together to introduce and explore new ideas. Define a clear goal to steer the process, which itself is disruptive.

2. **Nurture a digital mind-set:** Digital culture starts at the top. True digital transformation on the inside (operations, culture, practices and workforce) and on the outside (company image and employee appeal) relies on the clear commitment and direction of leadership. Identify areas of investment, specifically around skills, talent and potential acquisitions.

3. **Get comfortable with trial and error:** Some initiatives will work, but others won’t. Organizations need to aggressively experiment—and prepare for failure. Their survival depends on understanding what sticks in the market and learning quickly from what doesn’t.

4. **Create digital partnerships:** By joining forces—particularly with digital startups—organizations can draw upon one another’s expertise to create innovative or complementary products and services, and then extend these offerings to reach broader audiences and markets. Partnerships allow businesses to deliver new experiences and value.

5. **Inject new blood:** The advantage of hiring new talent into traditional businesses goes beyond bringing in practical skills and experience. People from outside the business or industry aren’t hindered by traditional legacy thinking, which may be hard to counteract in current staff.

6. **Measure digital success:** Identify the proportion of revenue and growth that is driven solely by digital. But don’t neglect measuring other telltale signs of an effective digital strategy, including faster product development and greater effectiveness at attracting digital talent.

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**Staying the digital course**

Digital strategy is a journey. Organizations shouldn’t get carried away with the quick fix or the shiny new thing. Even the most carefully thought-out plans can be difficult to execute and can take time to develop. Organizations that have a strong appetite for change, that fully integrate a digital culture into the business and that are not afraid of mistakes will have the greatest chance of success on the digital road ahead.
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Author

Narry Singh is a Managing Director of Digital Strategy for Accenture Strategy. Based in London, Narry advises CEOs and their boards on developing and implementing digital strategies and establishing new ventures.

Email: narry.singh@accenture.com
LI: https://www.linkedin.com/in/narrysingh

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