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3D printing is set to transform every major industry. As it becomes more affordable and commonplace, consumers will be able to print household goods, toys and tools, reducing the need for traditional suppliers.



## GOING DIGITAL

# Digitalisation not a one-off event

BY KHAIRANI AFIFI NOORDIN

The world is moving towards the Fourth Industrial Revolution. The future of business is digital and those who do not adapt to the new paradigm quickly enough will suffer the consequences, according to the *Directing Digitalisation: Guidelines for Boards and Executives* report released by INSEAD and This Fluid World, a boutique business and marketing consultancy. Ludo Van der Heyden, professor of corporate governance at INSEAD and co-author of the report, says boards and executives can no longer afford to ignore the importance of digital innovation and its impact on the business environment and organisational management. "Businesses, no matter big or small, will have to realise that they may lose huge opportunities if they choose to stay where they are currently. Ignoring the shift is no longer a choice — at one point, moving towards digitalisation is the only means to survive."

According to the report, the development of digital technologies are causing organisations to face new business realities — unpredictable and fragmented competition, democratisation of value creation, prolific innovation, new business models, evolving consumer needs, multiplication of distribution and communication channels and systematic removal of the middleman.

Liri Andersson, founder of This Fluid World and co-author of the report, says those who are not prepared for these new business realities will be in a position of weakness, especially since the competition is now at a global scale. "Bear in mind, the global barriers are disappearing. What this means

is that other countries can absolutely flood the Malaysian market before the players even know what hit them.

"That is why, in order to thrive, the people managing the businesses — the boards and executives — will have to disrupt their own businesses, encourage a disruptive mentality among their employees and, at the same time, disrupt themselves. This includes their processes, language, mindset and interactions ... basically, the whole package."

## MINDFUL STEPS

There are a lot of developments in technology that have changed consumer behaviour and aspects of running a business. These include e-commerce, virtual reality (VR), on-demand services, the cloud, mobile computing, big data, automation, artificial intelligence (AI) and robotics. Directors and executives need to have a fundamental understanding of these technologies as they spell both opportunity and threat.

For example, 3D printing is set to transform every major industry. As it becomes more affordable and commonplace, consumers will be able to print household goods, toys and tools, reducing the need for traditional suppliers. Identifying this as an opportunity before it becomes a threat would definitely benefit businesses that are quick enough to act and adapt.

"The constant change that characterises the digitalised world requires an ongoing analysis of the business environment and competitive forces. New questions will arise incessantly and will need to be reviewed by firms, which will have to adapt their points of view and revise their strategies as a function of the changing context," says the

*Directing Digitalisation* report.

Due to the environmental shift caused by the digital revolution, one key concern for board members and executives is ensuring that their organisation has a relevant mission and sustainable future. To do this effectively, executives will have to develop several scenarios of the ways in which digitalisation may affect their business.

Van der Heyden says the exploration of those scenarios require the board's cooperation as well as a number of external and internal experts and should result in the creation of and commitment to a mission that aligns with the new realities the organisation is facing. To avoid drawing conclusions that are biased towards a particular business function, boards and executives should seek internal cooperation across all functions and levels.

"When it comes to making choices that will affect different parts of the business, it is crucial for executives to listen to every department's opinion — no part of the company should be excluded — to achieve a cross-functional and organisational understanding. This may be challenging, but is needed to get everything working efficiently," he says.



Andersson

Digitalisation is not a one-size-fits-all approach, especially for businesses of different industries and specialisations. As there is no single way to define, execute and measure digitalisation, companies are recommended to define their own digital road map.

“They must create their own digitalisation approach and ensure that everyone is on the same page — the board members, executives and employees alike. An organisation that is able to do this will be in a stronger position to carry on their digital journey,” says Andersson.

While the idea of digitalisation may prompt companies to hire digitally savvy staff, recruit a head of digital or appoint a digital director to the board, they must also realise that digital understanding and capabilities should be embedded across the organisation. It is not the responsibility of the IT department. Executives must ensure that all employees are digitally capable so as to remain effective in their role.

Additionally, successful digitalisation requires an enabling culture. According to the report, it is imperative that the executives — under the board’s leadership — define, shape and encourage a corporate culture relevant to the digital age. This includes creating a transparent, agile, explorative and people-centric culture that focuses on learning and challenging assumptions.

#### STRATEGY OVERHAUL

Traditionally, businesses operate in a linear fashion — top-down communication for decisions and bottom-up for feedback on progress. However, according to the report, this is no longer the case for business success. It requires constant sharing of opportunities, decision-making and execution done through continuous collaboration and ongoing conversations between shareholders, boards, executives and staff on the front line.

Beyond blending business functions, digitalisation is also blurring the lines between the different industries, suggesting that most successful products and services in the future will be the result of cross-functional or external collaboration.

On top of that, digitalisation requires greater engagement with the public, which is a move not so commonly executed by businesses in the past, says Van der Heyden. “In the past, the public was not as empowered as it is today. It was relatively silent and disempowered.

“Today, equipped with the latest innovations in digital technology, the public can simultaneously cre-

ate and destruct a business’ value in a very short time. To effectively navigate the new digital waters, organisations must engage with customers and the wider public by recognising the power of the crowd and put effort towards satisfying public preferences.”

Typically, organisations would spend months to come up with a five-year strategy and validate the assumptions before spending the rest of the five years overseeing the execution. This, however, is a thing of the past. Due to the impact of the digital developments that are

rapidly shifting business trends, strategy is no longer a step-by-step process but a continuous exercise. It involves constant engagement of the board as well as two-way communication across the corporate hierarchy, structure and beyond.

According to the report, it is also no longer enough for board members to base decisions on executive summaries with binary choices presented in static two-by-two matrices. With technologies such as big data, data-driven decision-making is now possible.

With today’s unpredictable

business environment, companies are not only required to stick to their core business but also expend considerable effort exploring new business models and streams. “Uncharted territories must be explored,” says Andersson.

“For traditional companies especially, the idea of using new technologies to enhance or introduce new ways of doing business may be a bit daunting. However, the value of the education process or a fruitful outcome would definitely be something the business can leverage.”

An example would be Ant Financial. The company behind Alibaba introduced Alipay as an alternative payment method for its e-commerce brands when it noticed a payment problem among its users. Eventually, this allowed the company to capture the lion’s share of the market, with more than 350 million active users.

“Moving forward, board members and executives need to understand that digitalisation is a continuous management of change, not a one-off overhaul,” says Van der Heyden. **E**

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Van der Heyden