About the Session

The future of every industry is digital, and that future is closer than you think. In January 2007, there was only one digital company in the Top 10 most valued companies in the world: Microsoft. A decade later in January 2017, five of the Top 10 are digital companies: Apple, Alphabet, Microsoft, Amazon and Facebook.

Ambitious digital-driven companies are now creating and cornering new markets in every sector. And yet, most legacy businesses continue to operate by old playbooks. Most are not keeping pace with the changes in their industry, let alone leading the way. To what extent is your company prepared for the digital future?

Based on his latest book “The Digital Matrix”, Professor N. Venkat Venkatraman hosted a practical session that addressed the following points:

- What is digital disruption?
- What is the leader’s role in riding the digital wave?
- What exactly is digital transformation?
- What is the impact of digitalisation on human capital?
Introduction

Today, technology is happening at a speed and scale that was unimaginable, even 5 years ago. We are now entering the next digital decade where digital giants are steadily expanding their scale and scope at speed, to influence traditional industries.

Everyone recognises how digital will impact the business world: in fact, 94% of Fortune 500 CEOs agreed with the statement, “My company will change more in the next five years than it has in the last five years” and listed “The rapid pace of technological innovation” as their companies’ number one challenge.

But what does ‘digital’ really mean? According to McKinsey, some executives think it’s about technology, some think of it as a new way of engaging with customers, and others, sense it’s an entirely new way of doing business. While none of these are incorrect, the lack of clarity and alignment makes digital seem ‘fuzzier’ than it really should be. For digital to be meaningful and sustainable, it should be seen less as a thing and more a way of doing things.

A good grasp of digitalisation, especially at the board-level, is pertinent for leaders to redefine the business landscape, nature of competition and collaboration, so as to devise new business models in preparation for the invasion of data and technology.

The key considerations are no longer, “What worked?” and “What others have done?”, but “What others CAN do?” and “What can we do DIFFERENTLY?”. While many companies have invested in going digital, there is still a gross lack of understanding at board-level, resulting in its de-prioritisation.

C-Suite Roundtable on ‘What Every Leader Must Know to Win in the Digital Future’ (Jul, 2017)

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Overcoming Inertia

“Past performance is no indicator of future returns.” The caveat, made famous by the fine print associated with mutual funds, cannot be more relevant in the digital age. Only 12% of the companies in the Fortune 500 list from 1955 still remain on it in 2015. This is testimony that existing business strategies cannot be relied on, no matter how successful they have been.

To surf the digital wave, businesses need to move beyond past glories (refer below for “The Four Success Traps” that frequently limits organisations’ effort in digitalisation), reinvent themselves to leverage on opportunities afforded by digitalisation.

The opportunities (challenges) with digital go beyond overlaying technology on existing organisational architecture. Going digital includes embracing new business infrastructure, deriving value from new networks, rethinking between the lines of products, services, channels and solutions.

Leaders in the digital age need to recognise the importance and create the urgency for businesses to innovate - disrupt - transform!

In fact, businesses tend to over-invest in what they are already good at and under-invest in what will make them successful.

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The Four Success ‘Traps’

1. The competency trap
   Unique competencies developed over time but unsuited for the digital world

2. The ecosystem trap
   The lack of coopetition because it conflicts existing networks of relationships

3. The talent trap
   An inflexible talent base with deep expertise unsuited for the digital world

4. The metrics trap
   Focus on near-term metrics in the absence of long-term thinking
Leadership in a digital world

Today, the business landscape is no longer defined by traditional industry players but by tech-entrepreneurs and digital giants.

Disruption begins when competition with digital players occurs and existing business models are threatened. The imperative for leaders is to begin helping their organisations to see the importance and urgency of exploiting the value of digitalisation, so that every company is a tech-company.

There is observably too much organisational inertia due to established ways of doing things.

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Where most companies are Where companies should be

Where is your business on the Importance-Urgency matrix for digital transformation?

In contemplating digital transformation, ask the following questions:

1. Why should we transform our business?
2. How should we transform?
3. Is having a ‘digital team’ enough?
4. What needs to be done to rally and equip the “troops” now?

A winning tip for our leaders, build your Digital Leadership Corps:

- **Dreamers** who can visualise the use and benefits of data and technology
- **Designers** who will translate the dream into true experiments
- **Doubters** who possess the challenger mindset
- **Doers** who execute the digital strategy
The digital age calls for businesses to let go of some successful, but now outdated, past practices to embrace new rules and continually experiment with new approaches. As business sectors embark on digital transformation, three key questions apply:

1. Who defines the rules during the digital transformation of your sector?
2. Who creates the new business value?
3. Who captures the new business value?

These questions are universal across sectors and offers clarity for mapping companies on the digital matrix. Where is your company/function on the digital transformation trajectory?

Knowing our positions on the Digital Matrix provides a good start as it enables us to recognise our ecosystem, build unconventional partnerships and execute winning moves across the matrix. No company’s an island in the digital world.

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<th>The Digital Matrix</th>
<th>Experimentation at the edge</th>
<th>Collision at the core</th>
<th>Reinvention at the root</th>
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3 Winning Moves in Digital Transformation

1. **Orchestrate & Participate Across Ecosystems**

The digital future highlights ecosystems across traditional industries. Yet businesses intersect multiple ecosystems: you orchestrate some ecosystems while you participate in others. Earn the right from partners to orchestrate these ecosystems in ways that drive new business value.

2. **Collaborate to Co-create Capabilities**

In digital business, businesses have to compete and cooperate at the same time - labeled as *coopetition*. Businesses have to manage different patterns of relationships between incumbents and digital giants, between incumbents and tech entrepreneurs and between digital giants and entrepreneurs. Develop dynamic means of co-creating with others within ecosystems.

3. **Amplify Humans with Powerful Machines**

Future organisational capabilities lie at the intersection of smart humans and powerful machines. Think about your future organisation through this three-part question: (1) What tasks could be automated, requiring minimal human intervention? (2) What processes could be augmented with smart assistants? and (3) What jobs could be amplified with active interactions between humans and machines?
Conclusion

**Digital is less about technology and more about business reinvention.**
Digitalisation entails understanding what and where the new frontiers of value are, within the entire digital ecosystem. It also means being closely attuned to how internal and external customers needs and expectations have evolved, understanding how their behaviours are changing and impacting business inputs, processes and outcomes. This requires businesses to rethink the use of new data and technological capabilities to improve how customers are eased (versus displaced) into the digital age.

More importantly, technology is meant to augment human talent, and not merely automate. Being digital is about pairing adaptable humans with computers, so as to remove tedious tasks and help humans optimise work effectiveness and efficiency, and create niche value.

For some companies, digital is a challenge while for others, it is an opportunity for companies to emerge bigger, clearer and more cooperative in creating and capturing value. The digital age is a call to immediate action. Do not ‘miss the boat’. Once we are on-board, transformation becomes urgent instantaneously.

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**Self-disrupt, before others disrupt you! The key is to maximise the present while creating the future.**

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**About the Facilitator**

Professor N. Venkatraman from Boston University’s Questrom School of Business, has been recognised as one of the most cited researchers in Strategy and Management. His work has received highly positive reviews from distinguished leaders around the world. He has spent the last three decades researching and teaching on topics focused on how companies win in the post-industrial, digital age.

Prof Venkat has consulted and lectured for many corporations in the USA, Europe and South Africa including IBM, Microsoft, BP, Ericsson, ABN-AMRO, Zurich Financial, McKinsey & Co., Federal Express-Europe, Canal+, France and others. He also served on the Technical Advisory Committee of Canal+ France, focused on disruption and innovation in the digital media sector.
About the Human Capital Leadership Institute
The Human Capital Leadership Institute is a centre of excellence that facilitates the acceleration of leadership development and strategic human capital management capabilities in Asia. Through its efforts, HCLI aims to develop global leaders with a strong understanding of leading in Asia, as well as to build Asian leaders with the ability to lead on the global stage. The institute achieves this by driving Asia-specific research and insights, creating industry-relevant executive development programmes and fostering rich networks between thought leaders in business, government and academia.

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