In the Age of Disruption, it’s Be Bold or Go Home

Digital technologies are reshaping the business world as we know it – and doing so quickly. Yet despite this trend, surprisingly few companies are appropriately responding to digital disruption. In fact, most use digitisation to only optimise and improve the business rather than leverage technologies for reinvention and disruptive purposes.

Hat being said, there’s still a window for putting a bold digital strategy in place. But this window may not stay open long, so you must act now.

THREATENING THE BOTTOM LINE

Whether it be digital entrants competing with incumbents through disruptive models or incumbents responding to disruption by creating more intense – and expensive – competition with each other, the outcome is always the same: for incumbent companies, digitisation is bad for the bottom line. According to some estimates, digital disruption is shredding 30% off incumbent revenue growth.

“Digitally-enabled entrants are creating new competitive dynamics that threaten the bottom line of incumbents – and are doing so with great speed,” says Nicolas van Zeebroeck, Professor of Innovation and Digital Business at Solvay Brussels School. “They don’t simply take market share, they also put pressure on price, alter customer behaviour and change how value is distributed among industry players.”

Incumbents typically respond to this digital disruption with aggressive imitation – first in response to the digital entrants and then in response to each other – in a self-reinforcing process. “As a result, innovation increasingly gives way to imitation,” adds van Zeebroeck.

BOLD RESPONSES REQUIRED

To survive, companies must focus on strategies rather than just technologies. Not only do they have to act more boldly than the average incumbent, they must also boldly react to digital entrants. “Because digital entry is usually disruptive, the incumbent must also be disruptive, acting quickly to both limit the loss of competitive ground against digital newcomers and to take advantage of other incumbents that are slow to respond,” explains Bernard De Cannière, Academic Director, Executive Programme ‘Transformation Digitale at Solvay Brussels School and CEO at Audaxis.

According to De Cannière, the problem is that too many companies approach transformation from a defensive stance. “They look to offer the same value proposition to the same target groups using digital technologies that optimise their core business,” he says. “This approach will keep companies afloat, at best.”

For companies looking to successfully ward off digital disruption, they must play offense. This means adopting a bold digital transformation strategy that is less about cost-efficiency and more focused on new products and new customers. Van Zeebroeck and De Cannière, who both teach courses at Solvay Brussels School aimed at helping executives successfully navigate digital transformation, define a bold company as one that:

• Develops new customer segments, as opposed to defending existing business lines through cost cutting, automation or service improvements.
• Introduces new business models that disrupt their own legacy strategies.
• Redefines the value chain and faces the disruption head on.

“Digital disruption is unavoidable,” concludes van Zeebroeck. “Companies that react boldly, at scale, and in a way that is fully embedded in their corporate strategies will be well-positioned to steal revenue and profits from the laggards and emerge from disruption with higher trajectories in both.”

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