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WHY IS THE RED QUEEN RIGHT ABOUT DIGITAL?

Seshadri Krishnan

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If you, the business leader are anything like me, and spend most waking moments strategizing a win, you will notice that inspiration comes from unusual places - perhaps like taking a leaf out of vintage classics. The ever-changing business landscape reminds me of what Lewis Carroll's Red Queen says to Alice, "It takes all the running you can do, to keep in the same place." Today, I see legacy enterprises in a similar state of flux where they are trying to maintain status quo, while digital is fast becoming the overwhelming norm. This Red Queen Effect highlights the dilemma of any large enterprise that's trying to differentiate itself in the digital age.



Why is going digital not as easy as you thought it was?

Digital transformation is leveraging digital technology for all aspects of a business, from staffing to sales. Done right, it often implies an operational and cultural shift with the aim of accelerating, expanding and improving business processes.

Enterprises that weren't prepared for this rapidly paced transformation are playing catch-up. These enterprises may have lagged for a multitude of reasons, ranging from lack of funds to 'culture in stasis' to dysfunctional leadership to obsolete infrastructure, and renewed efforts to achieve or maintain market leadership, at this later (but not too late stage) are not really yielding desirable results for many.

Why is that?

I believe, it's because leaders are looking at industry trend reports like one would look at fashion magazines. While climbing atop the digital transformation wagon, leaders are basing key decisions on popular trends, rather than analyzing the context of success for any given trend. Because, to lead the innovation of any business category, enterprises will have to stop drawing up generic digital strategies.

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With most business leaders feeling pressured into taking the fastest (and most generic) way out of digital obscurity, I believe this is the right time to share how we do things at ThoughtWorks.

Here is a four pronged approach that I have taken several business leaders through, to figure out their very own and very specific digital transformation journey. I have also drawn from a first of its kind report by ThoughtWorks, [‘The Next Big Disruption: Courageous Executives’](#) that reveals what sets top business leaders apart from their competition. The report sheds light on the leadership styles of Courageous Executives including their tolerance for risk and failure, their use of customer insights and the ways leaders are preparing for the future of work.

1. Only customer experience matters

There is a visible difference in how legacy enterprises (that I'd like to call, Digital Immigrants) and younger companies, built with digital technology at their core (or Digital Natives) are responding to market changes.

Digital natives like Amazon and Uber, are more tuned in to the nuances of user behaviour and are able to leverage sophisticated technology to drastically improve user experiences. Digital immigrants, although disadvantaged on the tech-front, have their own unique strengths in the form of physical assets and data amongst others.

Experian, a consumer credit reporting agency and a digital immigrant revolutionized the credit rating industry when it shifted focus from data reporting to data analysis. They replaced cumbersome phone calls and paperwork with automated credit data, and turned their data warehouses into data labs. Today they're building data models to analyse social media activity along with geographic and industry factors to calculate credit risk.

Customers are not really concerned about which business is using the latest technology. It's more important, for them to make maximum use of the business' unique services/products. In that sense, failure at digital transformation is owing to the organization's inertia in improving customer experiences, rather than shifting its technology paradigm.

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Business leaders need to think about where their customers are coming from (both literally and figuratively), what they're looking for and what they're missing.

Apart from being customer-centric, digital organizations should also be built for scale because [growth comes with scale](#).

The courageous leadership at Facebook while focused on adding billions of users, did not deter from orchestrating 'moments of delight' for each and every current user. As their scale grew, so did their algorithms for giving the customers exactly what they were looking for on a social networking platform.

2. Products are created. Markets evolve.

Certain disruptions may seem sudden, but the truth is that they've been a long time in the making. Take for instance Uber, it wasn't the first taxi-hailing service to be introduced to the world. In 2008, [Taxi Magic](#) had seen the light of day long before Uber's market entry.

Taxi Magic was a premature service, because users were still unaccustomed to mobile apps. Add to this, the lack of widespread adoption of smartphones, unpreparedness to leverage the sharing economy, deep operational challenges like poor understanding of user experience or lack of a driver-side app. And, last but not least, the lack of courageous leadership and deep pockets that are very important to market category leadership.

When indulging in futuristic thinking, leaders need to keep the limitations imposed by the market, in mind. Every product/service functions within an ecosystem, and if that ecosystem does not support a business' newest innovation, there's little chance that it'll take off. In startup parlance, this is called the 'Product-Market-Fit.'

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Your obvious question - How does the business know when customers are primed for the latest innovation? I'd recommend business leaders ask themselves or their innovation teams three questions. One - is our product or service removing evident friction in the customer's journey? Two - are we giving customers a new, more effective way to fulfill a need? Three - have we timed it right?

3. Your culture is as unique as DNA

A [McKinsey](#) study finds that 25% of companies fail at digital transformation because their organizational culture is averse to risk-taking. Such organizations that are unsupportive of experimentation have a highly improbable chance of adding any innovations to their name. Also, important is that, culture is like DNA and is unique to each organization. No amount of copy-paste from successful organizations, can benefit an organization that does not develop and nurture its own cultural DNA.

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A [Mashable](#) article refers to how, "Amazon knows that optimization is neither a tactic nor a project but rather a competitive advantage woven into the heartbeat of their business. According to shareholder letters, the company runs over 1,900 experiments each year." This makes Amazon a learning organization.

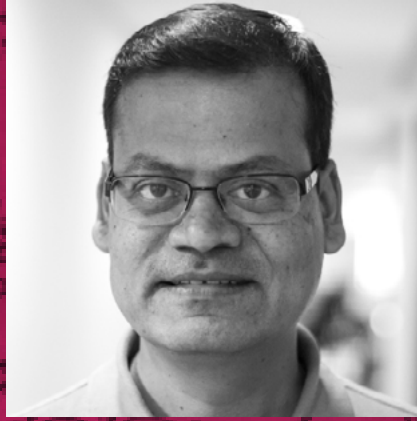
4. Leadership is about disruption

Over the last few years, we are seeing more Chief Digital Officers being appointed, than ever before. Businesses are realizing that digital leadership transcends hierarchy, because transformation is exhaustive and pulls into review, every aspect of the business.

[Nvidia](#), digital native and of mobile and gaming chips fame, while an overnight success, was also 24 years in the making. Its founder and CEO, Jen-Hsun-Huang steered the organization with resources, time and of course millions of dollars in turning graphics processing units, GPUs into mainstream computing power. This was even before the likes of Intel woke up to the reality of desktop processors waning in its usage, due to proliferation of chips and higher computing power in mobiles, sensors and non-desktop based devices.

According to ThoughtWorks' Courageous Executives report, to keep pace and anticipate future technology shifts, leadership conducts research, analyzes their competitors, troubleshoots tech challenges and hires subject matter experts.

At ThoughtWorks, we have a history of working closely with digital leaders of large enterprises and we understand that apart from technology expertise, people, culture and leadership play a highly critical role in making enterprises, digital. **Which means, we can prove the Red Queen wrong.**



Seshadri Krishnan

Digital Transformation Lead, ThoughtWorks



Seshadri Krishnan (Sesh) is a seasoned technology services and product leader with more than 20 years of experience in consulting, digital transformation, business leadership and entrepreneurship. Sesh draws a lot from his work, leading global businesses across North America, Europe and South East Asia, alongside learnings from when he ran two start-ups.

Sesh currently leads ThoughtWorks' digital transformation business and collaborates with clients' executive leadership to help with the latter's transformation journeys. Sesh is deeply involved in India's product and startup ecosystem and his interests outside work involve long distance running and cycling.

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