FUJITSU

Enterprise Evolution at Digital Speed
How you can Enable Digital and Adapt Successfully to Change and Disruption

shaping tomorrow with you

Conversations

A new species of organization is evolving. One that's highly adapted to an environment in which digital power is growing exponentially – and will continue to do so for the foreseeable future. We have to adapt to disruptive new business models but without undermining the core strengths which have been built up over a long period of change. Revolution can be good, but it can also be dangerous. Evolution has served us well. The point is to manage it – at digital speed.

Debating digitalization

At Fujitsu, we thrive on debate and dialogue. They lead to new ways to serve our customers. And that's why we are determined to become co-creators of innovative ideas that enable our customers across all industry sectors to achieve their objectives. That, we believe, is what the digital age demands.

It is a new era, but one that should hold no surprises for the strategically minded. In this guide we debate the rise of a new digital species of business so that we can help you adapt to what The Economist called 'The third great wave'[1] of industrial and commercial change.

What's surprising is the fear and paralysis it's currently generating within the leadership teams of large organizations. It's causing them to make strategic mistakes, and miss out on the full potential of digitalization. In fact, we believe that the first wave of digitalization has, for many enterprises in the private and public sectors, been a failure.

Five of our most creative thinkers decided to debate why digitalization has not yet fulfilled its initial promise; why so many companies have taken a piecemeal approach to it; and what they can do to adapt and not only survive, but thrive.

Their ideas and advice make compelling, even urgent reading.

Our Creative Thinkers

Steve Lennon
Principal Advisor, Technology & Innovation
Fujitsu Oceania

Dr Joseph Reger
Chief Technology Officer
EMEIA, Fujitsu

David Rosewell
Head of Mobile and Digital
UK&I, Fujitsu

Mike Sewart
Director
Fujitsu Digital, UK&I

Dr Ian Thomas
Chief Marketing Officer,
Fujitsu RunMyProcess

[1] The Economist, 'The third great wave' October 4th, 2014

Start Your Own Disruption

Disruption is an important driver of economic change and development. Technology has usually been the cause. From the automation of the 18th century wool trade to electric light and the automobile, long-established industries have fallen victim to rapid change.

Start Your Own Disruption

"That's all true, of course, but it's wrong too," says Dr Joseph Reger. "Forgive me for being precise, but those landmark disruptions were based on specific technologies. But right now, there is no new, startling technology that is disrupting business models."

Fujitsu Forum 2014 – Keynotes Day 2
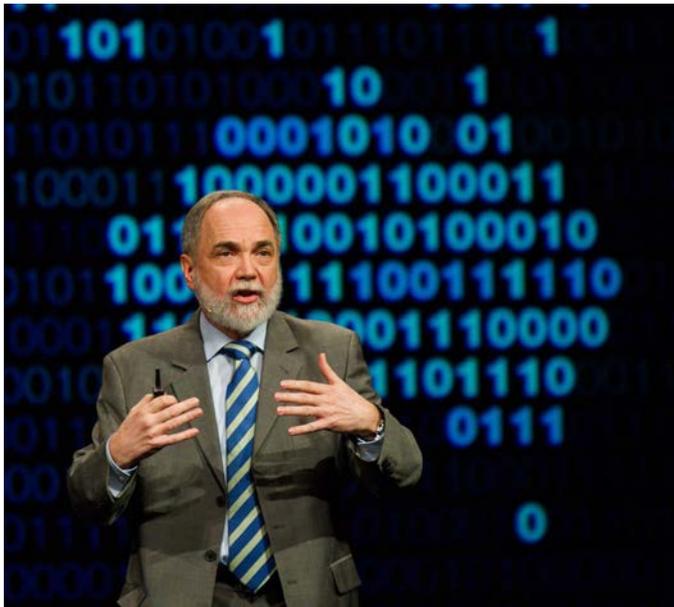
"It is the increasing power of the technology we already have that is doing it. Think about Airbnb. They haven't invented a new technology. They have used digital means to think differently about an old business – hotels. Now, they're worth more than most of the world's leading hotel chains!" says Dr Joseph Reger.

"Disruption is really reinvention," says Mike Sewart. "We shouldn't be afraid of the word or the concept. It's what powers markets now – and always has. The coming of digital caused many people to panic. They were being threatened suddenly by new business models created through new start-up companies containing no legacy systems, people, culture or process; they just had good ideas with no constraints! That puts them at a big advantage.

Established old-style companies rushed around trying to digitalize isolated areas of their businesses and they did it in a piecemeal way which, in the end, just ended up undermining their core processes and systems creating confused business models and fragmented systems."

"Airbnb is a great example," agrees Steve Lennon. "Our home here in Sydney, Australia, is open for all to see at Airbnb.com. It shows just how disruptive a good idea can be. And that's what it is: a great idea executed well. Simple. Obvious. Easy. The technology facilitates it. But the idea is the point. That's what's disruptive."

» "That's the key reason why I'd say that the first wave of digitalization has been a failure, most enterprises thought it was about technology. It was having a great website and a mobile app. It was "pixel-thin" thinking".

David Rosewell

"They engaged agencies to deliver those things in isolated ways and forgot that they needed to be integrated into the existing processes on which the businesses were run," says David Rosewell. "There was no joined-up thinking. The problem of end-to-end interoperability was ignored and, so, many projects floundered or just didn't deliver what they were supposed to. Digitalization isn't about getting a load of websites built, it's about getting closer to employees and customers so that they can do more, get more and thrive."

The point about the disruptive potential of digital technology hinges on the concept of barriers to entry. In most industries, they used to be big and costly. Now, with digital platforms and applications available as a service from a myriad of sources, coupled with the exponential increase in computing power, barriers are lower than they have ever been.

"I think many organizations don't realize that the digital wave has lowered the price of innovation considerably. It's now much easier to have an idea,

set up a test process, run it, learn from it, and then scale it into a marketable product or service," says Ian Thomas. "Fujitsu realized that the fear of high capital expenditures – coupled with expectations of complexity and high failure rates – was holding innovation back in many organizations, which was why we bought RunMyProcess. It's not just about having more technology or even new technology – it's about fundamentally changing the way business IP is captured in digital form. We need to increase the leverage we get from technology to accelerate the capture and testing of ideas, helping us to learn and evolve at a much higher pace. It's about using abstraction to minimize the gap between an idea and its market rollout at scale. Traditional technologies and methodologies are frequently a barrier to that kind of model."

"Don't just think about technology, think about... the ideas. It's seizing the opportunities new technology provides to digitalize and connect business IP that's driving most of the big successes of the digital age," Ian Thomas.

Ideas disrupt. And successful ideas monetize that disruption. The examples are legion: Amazon, Google, Spotify, and Uber to name four that reach across the entire recent history of the Information Age. "You've got to think about your market and your customers," says Ian. "Start with what they want to achieve and then think about the ways in which digital technologies can transform the way you deliver it. Starting your own disruption means starting at the edge of the organization - where your products and services meet your customers - and working inwards, connecting things in new ways to create better and more joined up experiences."

"What is important to stress," says Joseph, "is we're not suggesting a wholesale revolution inside every established company and industry. We're not saying that digitalization will blow away the past

and automate everything and annihilate the analog world. What we need to say is that in many cases you have to build on the analog heritage, keep what is strong and what works, but use digital technologies to innovate, do more for less, and be as agile and customer focused as possible. In these cases: evolution not revolution. The sum of all this will still be perceived as the Digital Revolution."

Fending off disruptors, being internally disruptive and thinking creatively can't be done by technology. Digital technologies are tools, used by humans. Those humans have to work within a culture that lets them innovate and take risks. And sometimes, they have to have the chance to be disobedient. To go against the grain and try something new: new thinking, new investments, and new markets.

» "Too many leaders are afraid of change. They tinker at edges and can't break out of the mind-set that demands immediate ROI. Because they are unwilling to take risks, digitalization ends up being half-hearted."
Mike Sewart

"The one thing you can be sure of is that there's an Uber in your industry waiting to disrupt your market," warns David. "That means you've got to have the disruptive idea before they do. You have to think, say and potentially do unpalatable things. Work out how your business model can be undermined and then make it happen in a way that protects your legacy rather than ruining it."

Disobedience as a Necessary Virtue

"Disobedience, in the eyes of history, is man's original virtue. It is through disobedience that progress has been made, through disobedience and through rebellion," wrote Oscar Wilde, and his wisdom has universal application.

Disobedience as a Necessary Virtue

Our culture celebrates rebels; people who couldn't follow the old rules and struggled to free themselves from the constraints of bureaucratic organizations. Henry Ford, Thomas Edison, and Howard Hughes became icons. In our own era Steve Jobs and Bill Gates achieved the same status. Now we expect the likes of Mark Zuckerberg, Marissa Mayer or Elon Musk to deliver more disruptive ideas.

But, for all our admiration of their courage, most organizations are hesitant to think differently. "That's why the first attempts by established companies to embrace digital haven't worked so well," says Steve. "I wouldn't say it's failed, exactly, but it's been patchy. That's not good enough. There's too much at stake."

"I think it did actually fail," says Mike, "that's because companies thought they could just buy some technologies off the shelf and that would make them digitally enabled. And also because the technologies themselves, though they promised much, weren't actually mature enough for organizations which had extensive legacy IT."

"It's also because the mind-set hadn't changed," says Ian Thomas. "They approached digital as if it didn't mean they had to change the way their processes worked or the way they were organized. Adding new channels of engagement – by perhaps adding a mobile app – is pointless if the processes behind that are not realigned to realize the new experience the customer is expecting. If we promise but don't deliver customers can, at the click of a mouse, easily find something else."

"We have to accept that it's hard for people to challenge the status quo," says David. "Most leaders realize that change is necessary, and that change has to be underpinned by digital. And, of course, the newer employees, who have grown up with digital technologies, see the world very differently. They will challenge the status quo – but only if they feel they can do it with confidence. If they're allowed to be disobedient then good ideas will rise through the organization."

"The lack of a holistic business change strategy to react to the threat of 'born digital' competitors is a major gap", says Mike. "They were trying to respond tactically with projects which were not aligned with the culture, processes and systems within their organizations. That meant they didn't get the results they wanted, as change was treated with a narrow technology lens, rather than a holistic business lens. You need to fix the human side first: namely culture and behaviour."

"That's why you need people to stand and up tell the truth. Be disobedient," says Steve, "we need more misfits."

"The CIO's role is difficult," says Dr Joseph Reger. "They're being told by consultancy companies that they must be the agents of change and the leaders of the digital revolution, but they also have to ensure business as usual, cut costs, and ensure processes comply with industry standards and market needs. They need strategic help to think through how to do the one and how the other. There are conflicting requirements, not always easily resolved."

» "It's hard for organizations to think that way. It sounds dangerous. They need reassurance that we're not talking about total revolution; but evolution – at a digital speed."

David Rosewell

"The companies which have struggled with digitalization have generally been poor at experimentation," says Ian. "Enterprises need to take advantage of the transformation of technology to also transform the way they use it, running many small experiments in parallel to see what appeals to customers. This requires people who can overturn years of thinking about the fundamental processes of risk and governance – a big challenge for anyone to take on."

"It's all about having the courage to move the conversation on, from the technology, to ideas, to the broad picture," says Ian. "To look at the customer and all the touchpoints between you and them. Map out the consumer's journey, and then ask how you can make each touchpoint as rich as possible in terms of experience and data, and then use the information to deliver immediate responses and action."

"It's important to focus on customers, of course, but all users are important. Employees are vital," stresses David. "We need to understand that digitalization is as much about enabling employees to work in mobile ways and to enjoy seamless access to the technologies that help them be more productive and efficient. That's especially true in sectors like utilities where field workers are prevalent."

"The CIO has to talk with the HR director and the Marketing Director, and then the CEO has to foster the dialogue, and debate and argue," stresses Joseph.

"That's already starting to happen," says David, "I'm hearing that CIOs are working to make sense of digital and ensure it's organized properly within their enterprises."

"If they don't do that," warns Mike, "then analysts' predictions – that something like 75 percent of businesses will be losing market share by next year – will come true."

» "Someone has to say something – make a stand"
Steve Lennon

The Darwinian Struggle

Are we witnessing a Darwinian struggle for survival?
Is digitalization an element of the process of commercial
Natural Selection?

The Darwinian Struggle

"I've been writing about that for a while," says Ian, "to me it is just like evolution. The disruption we've been seeing can be likened to a change in the natural environment that suddenly favors organisms with different combinations of traits. In the same way enterprises who have developed a range of successful traits in the pre-digital era now have to evolve – adapting, replacing or discarding capabilities as they strive to create new value chains that are fit for 'selection' by the new market environment."

"Innovation is the key to both evolution and revolution," says Joseph. "Within business that innovation has to be a conscious, managed process. You can't just wait for it to happen on its own. You have to match the exponential progress of technology with ideas that will deliver progress to your business and, most importantly, to your customers. You have to harness the power of change, but also put in place the processes that generate change."

The cycle of change begins with the environment. This favors those species that can vary key aspects of their physiology in order to survive and thrive. Success here means that more offspring inherit those variations and pass them on, in their turn, to future generations.

"Big companies really need to take this biological truth to heart," says Steve. "Innovate or die should be their daily mantra, but their size and past success often supports a belief they can defy their Darwinian destiny."

"Moore's Law, which isn't really a law but is a very useful, and up-to-now accurate, observation of how technology has increased in power over the last 50 years, is driving change in the environment," says Joseph. "Organizations are varying what they do and some have hit upon successful ways of surviving, growing, and creating new products and services. That spurs others to do the same. Digitalization is one of the adaptations that can help organizations deliver those all-important variations in the way they work and what they offer customers."

Shed Your Skin

"I think about a snake, which sheds its skin so it can move on with the next stage of its life," says Mike. **"Companies have to do that regularly. They need to free themselves from the rigid structures that stop them varying their direction of travel. A new skin makes them lean and agile."**

"There is a global movement to try and reinvent business without being too revolutionary," says Joseph. "In Germany we call it 'Industry 4.0', and the intention is to help existing industry and commerce move into the digital age without the need for huge transformation projects. Those kinds of projects make people afraid."

"Joseph's point shows that we need to be aware that digital can mean different things in different sectors, geographies and populations," says David. "There are also three stages to the typical digitalization journey which enterprises are experiencing. Some are digitalizing existing business processes, such as the UK's Inland Revenue which has moved most people's tax returns online. Then there is the transfer of user experiences to the digital realm, for instance the Omni-channel approach in retail which combines 'analogue' stores with e-commerce and kiosks. And then there's the totally new business models and ideas – in the mold of Uber and Spotify."

"Technology doesn't cost as much as it used to. You don't need to invest a lot of money to achieve the benefits of digitalization. As David said before, you need to take a few risks, but that doesn't mean a huge upheaval. You do need creativity though," says Mike. "And you need a home to nurture creativity within an organization, as classic process centric operating models within large enterprises can inadvertently crush creativity and innovation."

"Fear stops many people from acting. They think they need a completely new IT infrastructure. That's not true, as Joseph says – the technology is there already, and it can be bought in when it's needed. That principle applies to innovation as well," says Ian.

"That's why co-creation is important. Instead of trying to do everything in-house and be totally in control of the whole process – you can partner with agile specialists and focus on specific needs in the short term, and evolve the core as you go," says Joseph.

"Breaking down monolithic corporate structures into modular cells – the holarchy idea being pioneered by Zappos and others – will also be critical to enable the rapid sense and respond reflex needed for a digital world," says Steve.

» "You don't have to become a different animal – just carefully, sometimes slowly, shed your old skin and grow a new one."
Mike Sewart
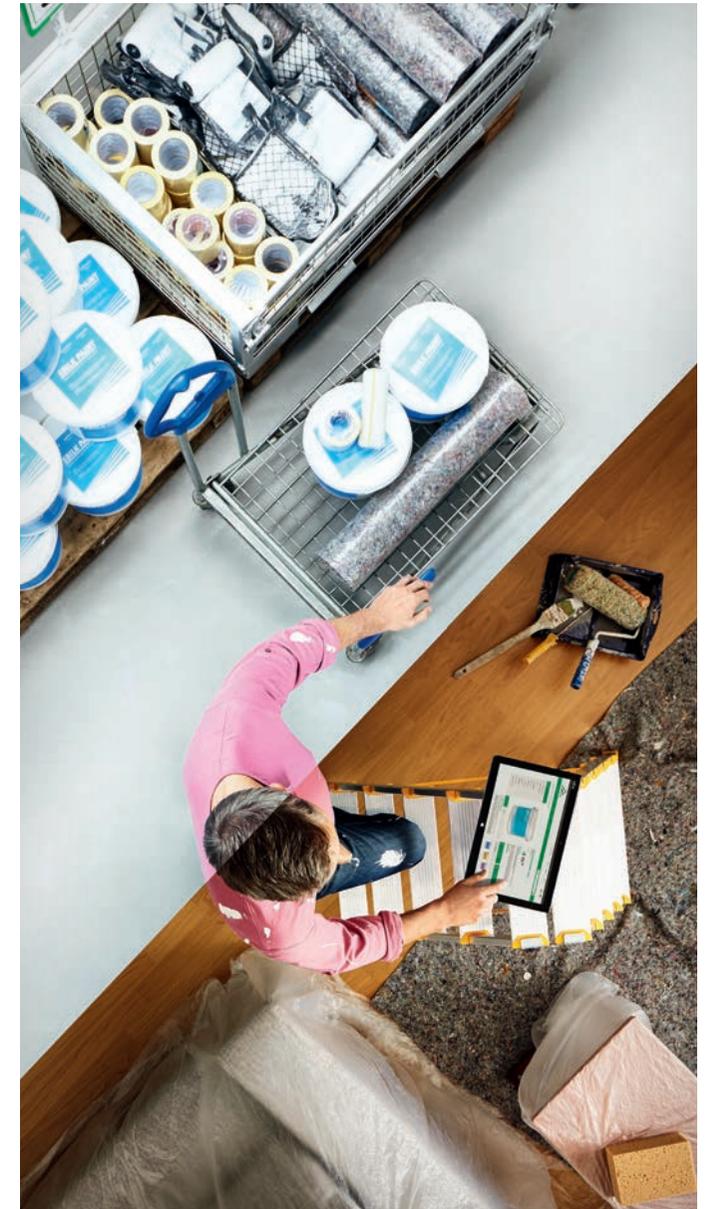
Think Fast and Slow

Businesses have to be able to Think Fast and Think Slow – a concept popularized by Daniel Kahneman, Nobel Prize Winner in Economics, which showed how humans use two thinking systems simultaneously to make decisions. One acts decisively on instinct; the other deliberates more and modifies decisions to match the broader, more information rich picture. In 'Accelerate'[2] Kotter suggests that established organizations have within them the ability to use both systems to their advantage.

[2] "Accelerate' by John P Kotter, Harvard Business Review November 2012

Think Fast and Slow

"Digitalization fits that model perfectly," says Joseph. "You have the core IT which can be termed 'Slow IT' – not because it is actually slow, of course, but because it has legacy systems, and is concerned with core processes, and supports the backbone of the organization and therefore doesn't change that fast. Then you have 'Fast IT' – which is where business innovation is achieved. You can buy-in data center capacity or Software-as-a-Service, or platforms and applications which enable you to think faster about innovation and collaborate across internal teams or with outside partners."

"You have to be prepared to risk some money – but not a lot," says Steve. "I was part of a start-up back in 2006. We raised a million Australian dollars to create a user-generated content platform. We lost it all. Now, you can do exactly what we did back then – for five thousand bucks."

Failure is not a dirty word. It's how bad ideas become good ones. "Create a group of determined people, who are dangerously disobedient, but really care about customers. Set them loose during the day and not in their own time. Thinking and arguing and discovering should be their day-job. Then expose their ideas to your ecosystem and see what happens," says Steve.

Enabling Digital in Partnership with Fujitsu

"This isn't hype," says Mike. "We're acting on our own principles. I put the case we've all just outlined to the board and said we can't offer customers the benefits of digitalization if we don't do it ourselves – and do it successfully. They backed me. We set up Fujitsu Digital to work in collaboration with our partners and customers so that we could prove that new ideas could be shaped in new ways.
We wanted to show that co-creation works.
And that this approach can work within established ecosystems."

"We are strong because we can offer both the Slow and Fast IT to enterprises," says Joseph. "We keep you running – and ensure you run better to deliver efficiency – but we also provide access to the nimble new ways of generating ideas."

"That's what RunMyProcess is all about," says Ian. "It's why Fujitsu acquired us. We help you create that evolutionary environment in which you don't have to worry about your core processes being affected, while you can enable your people to use the tools they need, when they need them, to create new ways of doing what you do best. The environment in which you're working is changing rapidly, so being able to access and change the processes you need to innovate quickly, is essential."

"At Fujitsu we're self-critical when it comes to how we serve our customers," says Steve. "We're honest about what they need and what we need to do to serve them. We're investing almost US$1.7 billion in research and development annually, and we generate patents as fast as players like Apple and Google. Our focus is getting innovation into the

hands of our customers and helping them make the most of the opportunity. We want customers to get the products that make a difference quickly, so we can learn, adapt and go forward."

"Our aim is to support the CIO. We can help them steer their enterprise through the digital journey," says David. "We can ensure that their evolution into a digital world will be smooth and will build on the strengths of what they already have. We will help deliver an end-to-end solution so that the user-facing application or website is totally integrated into the core processes of the organization and is interoperable, secure and scalable. That's our strength: systems integration and service delivery are just as vital to the success of digitalization as to any other IT project."

Find out how Fujitsu can help you realize the promise of enabling digital. Visit enabling-digital.global.fujitsu.com or email askfujitsu@uk.fujitsu.com