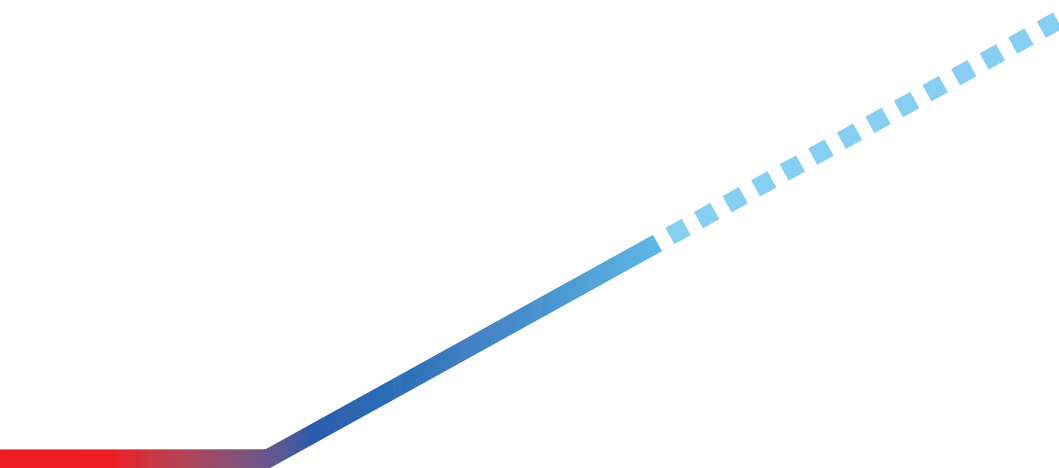


Anthony Stevens and Louis Strauss

# Chasing Digital

A Playbook for the  
New Economy



WILEY



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First published in 2018 by John Wiley & Sons Australia, Ltd  
42 McDougall St, Milton Qld 4064  
Office also in Melbourne

Typeset in 12.5/14.5pt Arno Pro

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Cover design by Wiley

Printed in Singapore by C.O.S. Printers Pte Ltd

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# Preface

To write a book collaboratively is a great opportunity to share, learn and find opportunities to lead. It is also, we believe, an avenue of service by which we can make our vocation accessible and useful to the broader community. We hope this book will be of interest to a range of readers seeking to understand the defining features of digital and the reasons for its unprecedented economic impact. Before thanking the many people who helped us with this book, we thought readers would be interested to learn a little about the background to this collaboration.

## **A NOTE FROM ANTHONY**

For more than 25 years, I have been thinking about the application of technology and the internet to business. I have written extensively and had the opportunity to talk and work with a number of talented executives and thought leaders around the world. Over my career I have spent most time at the intersection of leadership, technology and strategy — domains I am deeply passionate about. These experiences are the foundation and impetus for this book, in which we apply well-tested concepts and strategy to the process of change through digital transformation.

I have had the great opportunity to work intensively with Louis, a friend, colleague and immensely talented future leader. *Chasing Digital* would not have been possible without his talent for communicating complex ideas, enthusiasm and commitment to this unique project.

## **A NOTE FROM LOUIS**

My interest in business and technology blossomed during my time in Europe, where I worked with a handful of start-ups and met a number of different individuals who encouraged me to think deeply about the future of business and our economy. Having now worked in both start-ups and traditional incumbents, I'm excited about the opportunities and challenges that both types of organisations face. Like many of my generation, I believe that the most successful companies of the future will be those that not only disrupt markets but also strive to positively impact the communities they seek to serve. For those who wish to be successful in the digital age and beyond, the journey won't be easy, but the potential is huge and exciting. This book is about helping traditional incumbents unlock that potential.

Working with Anthony has been a fantastic experience, and his deep thinking and unique perspective have been fundamental to shaping my own thoughts on business and technology.

## **AS CO-AUTHORS**

This book was born during an animated conversation between the authors in an office tower overlooking the skyline of Melbourne, Australia. We were perched in a prime spot, with a view up Collins Street towards the city centre — front-row seats to the bustling activity on many downtown construction sites. Melbourne is among the world's fastest growing cities, and it seemed as though new skyscrapers were rising every day, emblazoned with logos of companies that didn't exist five or ten years ago.

As professionals, we work with bold leaders, seasoned experts and powerful executives who want to tap into the opportunities being created by digital; their companies' names

are also dotted across the city. But, we wondered, which ones would still embellish the urban landscape in another 10, or 50, years' time? And what types of businesses would take the places of those that disappeared?

By the end of our debate, we had agreed that, however uncertain the future, the indicators for success in digital were starting to become clear. There were unmistakable differences in strategy, mindset and structure between companies transforming for digital and those stalling in the face of changing economic forces. Our experience offered us rich evidence of what foundations are required and what steps are necessary for the leader who seeks to revolutionise an outmoded business model. We knew there were plenty of ideas on the subject floating around among consultants, and business magazines offered snippets of advice, but we believed there was no readily available guidebook for successful digital transformation.

*Chasing Digital* is that guidebook.



# Acknowledgements

We have been fortunate to have had the help of a large number of people while writing this book. The following list acknowledges the many individuals, friends and colleagues who supported us throughout.

We extend our warmest thanks to Mark Briffa, Philip Colligan, Dave D'Aprano, Mark De Ambrosis, Alline Dos Santos, Anthony Ferrier, Kate Huckson, Wayne Jenkins, Sunil JNV, Shariq Khwaja, Steve Nola, Simon Overend, David Prakash, Jothi Rengarajan, Greg Rudakov, John Shin, Jodyne Speyer, Gowri Subramanian, Richard Susskind, James Turner, Tricia Wang and Steven Worrall.

Thank you also to Kath Walters for your superb coaching and editing.

To Bernard Salt, thank you for your inspiration, insights and advice on what it takes to write a book.

To Matthew Herring, David Linke and Emily Ulcoq, thank you for your support, feedback, encouragement and friendship.

Sarah Overton and Gennevie Stokes deserve the largest thank-you of all. Your detailed analysis and critique were invaluable.

To my (Anthony's) wife Tiffany, my son Ned and my daughter Claudia, thank you for your belief in me. My love and support always.

To my (Louis's) family and friends who continue to support me, thank you.

*Anthony Stevens*

*Louis Strauss*

Melbourne, Australia

April 2018

# Introduction: **The Fourth Revolution**

A major change is underway in the business world. We are at the start of a new economy based on information, which some call the Fourth Revolution.

Here is how Klaus Schwab, founder and executive chairman of the World Economic Forum, puts it:

The First Industrial Revolution used water and steam power to mechanise production. The Second used electric power to create mass production. The Third used electronics and information technology to automate production. Now a Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century. It is characterised by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres.

However you define it, the rate at which our new economy is transforming itself is incredible. Bio-engineering, particle physics, space technology, nanotechnology, autonomous vehicles, artificial intelligence and blockchain are just some of the most innovative technologies in the world today. Each

revolution has advanced the human race further and faster than the last, and the new revolution is no exception. In fact, the speed of change it has brought has an exponential trajectory, and those who find themselves falling behind will find it harder and harder to catch up to the pacesetters. Nowhere is this more evident than in the business sector.

Every day a new book, blog post or article highlights the dramatic impact digital is having on businesses. There's talk of robots taking over jobs, of the mass of data that will drive decisions big and small, and of the impact of artificial intelligence on new business models and industries. Businesses around the world are struggling with the rapidly changing market, and new forces at play may threaten their survival in the short to medium term.

As a pre-digital leader, suddenly you find yourself on the back foot. The underlying business models you've helped create face disruption from digitally born companies that now dominate these markets. Through new business models designed for the digital era, these digital companies have managed to capture the hearts and wallets of modern customers, drastically altering their expectations, needs and wants. As a business leader of the old guard, you have entered a chase.

As the title of our book implies, we don't think the 'chase' is an altogether bad thing. The very fact you are on the hunt for something new primes you for a great leap forward, and your track record shows you are very capable of learning and implementing a successful new strategy. But the rate of technology change can be devastating to organisations that are not moving fast enough. Many companies ignore the danger until it is too late. Some discount the change out of arrogance, others are oblivious to it, while most simply don't understand it. As an experienced business leader, you know your company's future lies in disrupting your own business model, but you



have not yet found a way to do this. If you put in place sound foundations, digital enablers and proven accelerators, your chase may well catapult your business to a new level.

## **Why this book, and why now?**

The tools and processes you successfully applied in the pre-digital era no longer seem to have the effect they once did. In many circumstances, you find your organisation's growth stagnating or even declining. You are seeking answers. We know this because we work with leaders like you all the time. They are our clients and sometimes our colleagues. They are discerning enough to know that the basis of their current business model, their way of competing and their expectations of consumer behaviour are embedded in the pre-digital status quo. Typically, we find them looking for answers in all the wrong places. Our aim in writing this book is to focus your thinking and provide a practical guide to the essential principles you need to understand to pursue a future-focused transformation and chase digital.

## **A step-by-step guide to digital transformation**

This book is for leaders who understand the need for digital transformation and are looking for a guide to lead their companies into a successful digital future before it's too late. We call these companies *pre-digital incumbents*.

Pre-digital incumbents have three defining characteristics:

- » They use business rules and strategies designed before the internet and the digital boom.
- » Technology supports the company's business model but is not what the company sells.
- » They are led by an executive team and governed by a board.

Pre-digital incumbents as a cohort have one major competitor: *big tech*. We define big tech by these characteristics:

- » They have embraced and established new rules of strategy based on digital technology.
- » They exercise financial and market dominance, redefining entire industries in the process.
- » They place technology and the new wave of digital (which we'll explain soon) at the heart of their business model. Examples include Apple, Alphabet Inc. (the parent company of Google), Uber, Netflix, Microsoft and Tesla.

As an executive or director of a pre-digital incumbent, you will be written off by the media and digitally born competitors as a relic. We take another view. We believe you have a bright future in the age of digital disruption. Here's why:

- » You were a dynamic and successful leader in the pre-digital world, and now you want to transition and embrace technology in a strategic and contemporary way.
- » You want to shift technology from enabling support to centre stage of your business strategy.
- » You have noted the rise of the new giants like Amazon, Alphabet Inc. and Alibaba, and you recognise there is much to learn and adapt from these companies.
- » You are looking for practical ways to prioritise and manage your company's digital transformation.
- » You want to learn and are curious about the ways in which technology is shaping your industry and creating opportunities for growth.

## So what will this book give you?

As a step-by-step guide to digital transformation, this book is aimed specifically at leaders of pre-digital incumbents. You stand on the brink of enormous potential change. If you place digital at the centre of your company's strategy, organisational design and culture, it will become the self-sustaining economic engine of your business. The first-mover advantage is real, especially in the digital age, and you have the choice now to become a fast follower or accept the consequences of being a market laggard. In this book, you will discover what many of your competitors do not yet know. You and your business will be empowered by what you learn here. This book contains everything you need to understand to accelerate the process of digital transformation and secure your company's future.

## Creating a long-lasting legacy

The idea of legacy resonates for us personally. One of the primary reasons we decided to write this book together was because of our 15-year age difference. We believe that this multi-generational perspective is integral to our understanding of the challenges you face today, as well as the challenges you'll face tomorrow. We set out to bridge the gap between the present and the future. In doing so, we have created the Chasing Digital Three-Part Framework, which is designed to help you successfully lead your company's digital transformation, as well as inspire new business models built for the future.

We wrote *Chasing Digital* not only to help your company survive and prosper in a digital world, but to ensure you create a long-lasting legacy. Legacy is extremely important. Without it, there can be no future. *Chasing Digital* isn't just about fixing current problems; it's also about creating durable

foundations for the rapidly advancing future. We have written this book to help you lead the next generation of leaders a prosperous and healthy company, so they in turn can create their own legacy.

## **The Chasing Digital Three-Part Framework**

This book is divided into three parts.

### **PART I: THE BIG DECISIONS**

In chapters 1 to 3, we identify the problems that are holding every pre-digital incumbent leader back. These problems manifest in strategy, organisational design and culture. We examine how your digital future is intertwined with these three business fundamentals, and show why you must establish the right foundations to successfully transform your organisation.

### **PART II: DIGITAL ENABLERS FOR TRANSFORMATION**

In chapters 4 to 6, we identify the three key technologies that, as a leader, you must understand to develop current and future business models and strategies. They are data, platforms and systems of intelligence.

### **PART III: ACCELERATING CHANGE**

All leaders are experts in managing change, so why are boards and executives losing confidence and investing in technology too late? How can leaders effectively manage technology risk while still ensuring company growth? In chapters 7 to 9, we break down three vital accelerators of digital transformation that aren't discussed properly or enough in boardrooms today. They are investment management, technology risk management, and advice for boards and directors.

As a leader of a pre-digital incumbent, it is time to embrace change. Now more than ever, technology will be either your greatest asset or your worst enemy. Investments in technology can no longer be seen as isolated, one-off actions. The digital revolution requires you to take a new approach, with technology, people and data working in harmony and continuously evolving together. The dynamism within the new economy will only continue. We see no end to this change — it's a constant chase. With that in mind, let us show you how to *chase digital*.



# Part I

## The big decisions

At this point there are two important questions you need to ask yourself: what business are you in, and how do you make money?

As a leader of a pre-digital incumbent, you need to start by assessing the mechanical heart of your business — its driving economic engine — and what strategies will most effectively power it forward in today's new economy. In the past, you initiated your economic engine by identifying a niche, understanding specific regulations, accessing resources or taking advantage of a growth opportunity. When cultivating growth in your business, you assumed that these conditions didn't fundamentally change. Or if they did, it was a slow change, and your opportunity (and challenge) came from optimising your position in the resultant markets.

In recent years, new business models have been created that leverage the power of the internet — think Google, Facebook, Netflix and Amazon. This has led to a significant change in the economic engines and strategies that now power the world's most successful companies. Long-held assumptions about the fundamental drivers of high growth have changed. In summary, the internet has done two things pretty much in parallel: it has destabilised the basis on which an enterprise can succeed, and it has opened up entirely new ways of doing business.