



Welcome to our latest bulletin and best wishes for 2016. In this edition we focus on the impact that digital technology is having on the way we think about and develop strategy.

In our lead article my colleagues and I share our point of view that developing a successful digital strategy is essentially about closing the gap between your digital reality (the digital trajectory you're currently on) and what is digitally possible (the trajectory your organisation could be on if it chose an effective strategy).

In our second article we feature the work of the Global Centre for Digital Business Transformation (an initiative between IMD and Cisco), whose purpose is to accelerate digital business transformation in public and private sector organisations around the world. In this article we draw upon one of their recent research reports that make an important distinction between digital disruption and digital disruptors.

Finally, we review James McQuivey's book entitled [Digital Disruption – Unleashing the Next Wave of Innovation](#), which gives a comprehensive assessment on what is driving digital transformation today, and what organisations should do if they don't want to be left behind.

As always, we welcome your feedback.

Best regards
[David Trafford](#)

Digital strategy – Closing the gap between your current digital reality and what is digitally possible

The world is becoming more digital and without question the way we work, communicate, travel, manage our health and are entertained will continue to change at an ever-increasing pace. As digital technologies continue to advance and become more pervasive, they challenge our thinking on how our organisations could and should operate. The question therefore, is not whether our organisations should become more digital, but to what extent and at what pace?

For most organisations the gap between what's digitally possible and their digital reality is widening. As digital technologies continue to advance they create new digital possibilities, which in turn increases the demand to digitally automate and, increasingly, digitally disrupt the way our organisation operates. This in turn places greater pressure on our ability to turn digital possibility into digital reality. Many organisations have started to take action to close these two important gaps, including appointing a Chief Digital Officer, launching digital pilots, acquiring 'pure play' digital organisations and participating in digital technology study tours. While these and other actions will contribute to closing the gaps, the question is whether they will do so at the pace needed.

Closing the 'digital gaps' is about taking action to change the trajectory of your organisation to one that is more digital. All organisations are on a trajectory, it's the path that taking them from where they are now to a future state. Organisational trajectories are a manifestation of organisational strategies: strategies that have either been intentionally defined or evolved over time. If you want your organisation to be more digital, then you need to be sure that your strategy is sufficient to shift your organisation's trajectory.

The reality is that executives often underestimate the challenge of shifting the trajectory of their organisation, particularly when it comes to understanding the influence of their existing organisational capabilities. Only by having the necessary digital organisational capabilities in place will your organisation be able to successfully change its trajectory to one that leads to a more digital future.

To see the slideshow in which [David Trafford](#), [Peter Boggis](#) and [Frank Dannenhauer](#) explore the important difference between digital automation and digital disruption, and the digital organisational capabilities needed to successfully shift an organisation's trajectory to one that leads to a more digital future, click [here](#).

How digital disruption is redefining industries

The [Global Centre for Digital Business Transformation](#) (an IMD and Cisco initiative) makes an important distinction between digital disruption and digital disruptors. Where digital disruption is the effect of digital technologies and their impact on business models, digital disruptors are the 'players' who consciously take advantage of the disruption that digital technology brings. The characteristics of digital

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Assess your current strategy by understanding your organisation's current trajectory and the factors driving it.

Develop your new strategy by defining an organisational trajectory that leads to an improved future.

Operationalise your strategy by creating the conditions that enable the organisation to pull itself towards its target future.

Our approach is to help our clients find solutions that work best for them, while keeping them true to their strategic intent.

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Parting thought

"The wave of the future is coming and there is no fighting it."

Anne Morrow Lindbergh,
American author
and aviator
1906 – 2001

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disruptors are that they innovate rapidly, and then use their innovations to gain market share and scale far faster than their challengers who are still clinging to predominately physical business models.

Digital disruptors are particularly dangerous as they have the potential to grow enormous user bases seemingly overnight, and are then agile enough to convert those users into business models that threaten incumbents in multiple markets.

More worryingly the Centre found that digital disruption – and the threat of digital disruptors – was not seen as worthy board-level attention in some 45 per cent of the companies they surveyed. Furthermore, 43 per cent of companies either do not acknowledge the risk of digital disruption, or have not addressed it sufficiently. They also found that nearly a third were taking a 'wait-and-see' approach.

Their advice is to view the impact of digital disruption as a digital vortex, where the forces of the vortex are pulling business models, offerings and value chains into a 'digital centre', where everything is digitised to the maximum extent possible.

Their research report is entitled [Digital Vortex: How Digital Disruption Is Redefining Industries](#).

Do you have the mindset to be a digital disruptor?

James McQuivey's book entitled [Digital Disruption – Unleashing the Next Wave of Innovation](#), takes a different perspective to the increasing number of texts that describe what an organisation should do to become more digital. James looks at what it takes for you and I to become a 'digital disruptor' and how a digital disruptor's behaviour flows from having a digital disruptor's – as opposed to a barrier-based – mindset.

James argues that the mindset of digital disruptors is one where they naturally see technology and other tools in a different light, one that enables them to see past the problem to the solutions that digital can help them deliver more rapidly than before. Furthermore, digital disruptors don't have to be young, but in many cases they are because their minds were formed in an era when digital possibilities were rapidly erasing analogue boundaries.

According to James, digital disruptors seek out and apply free digital tools to continually offer more free things, which coupled with consumers who rapidly adopt and depend on free things, results in a perpetual wave of digital disruption. They also exploit a key structural component of the digital disruptive era – the digital platform – to deliver better product experiences more rapidly, while creating and maintaining digital customer relationships. Finally they are obsessed with finding more ways to meet more customer needs more quickly than before.

James' book has little to do with digital technology, apart from it being the enabler for the next wave of innovation. It's more about the perspective that individuals and organisations need to take if they are to realise the potential the technology has to offer.

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