

Digitalization as a strategic challenges: What is it really about?

*English excerpt of the article “Digitalisierung als strategische Herausforderung: Worum es wirklich geht“
by Caroline Cerar*

Digital business transformation is a topic currently widely discussed. Several studies were published over the last months. Most of these studies deal with the economic effects or focus solely on the technical aspects. The picture they provide is rather abstract.

What will be the implications of digitalization for corporations? How should companies deal with the digitalization from a strategic point-of-view? There has always been change in the environment. Insofar digitalization can be understood as another strategic challenge. This challenge is not new. Companies are already on the way of the digital transformation.

In order to get a better understanding, it is helpful to look at the differences of digitalization compared to previous transformations:

1. *New ways of working – New business models – Blurring of market definitions:* New technologies facilitate the evolution of new business models in a big way shaking up traditional industry branches.
2. *Increasing integration of customers and suppliers:* This results in a higher transparency of processes and, thus, leads to increased requirements of excellence in execution.
3. *Coining of expectations:* Employees, suppliers and customers are experienced in the digital interaction. They largely know the state-of-the art. Companies will be asked to match these standards of expectations.

Every company needs to confront itself with these new technological developments and distill the specific opportunities and risks for its business. Each of them needs to come up with its very specific strategic answer.

In the strategic work, it is helpful to analyze the above mentioned areas of distinction to other transformations. This can already provide interesting and helpful insights. It is important that leaders are very critical with „old answers“ – the old way of thinking, the typical explanations of the own strategic advantage, the good, old way of doing things. A new, fresh and critical view is required in the strategic process. Experimenting with another approach in moderating the thinking process could help overcome usual thinking patterns:

1. „*Evolutionary Thinking*“: Develop a shared view on how the business will develop in the grand scheme of things.
2. „*Deliberate counter-thinking*“: Challenging one’s own business model, scrutinizing one’s own evolutionary thinking in light of the general opportunities and risks of the digitalization
3. *Identifying the strategic challenge(s)* of the business, which need to be answered

Well defined strategic challenges summarize the specific problem(s) companies need to solve exactly. They can be phrased in the form of a question, which is particularly effective. These questions focus the following strategic process and ensure that a strategy is developed, which hits the hot topics.

There are a couple of critical points, which should be considered in the transformation process as well:

1. „*Technology takes over*“: This is an implicit danger in all technology oriented projects. Leaders need to ensure that the digital business models and projects still make strategic and economic sense.
2. *Developing a data culture*: It is not only about big data. Companies are also asked to develop a new approach how to get more value out of all the data collected, but also how to use data effectively in strategic and operational decision making.
3. *Promoting a philosophy of „sharing & contributing“*: Enabling an atmosphere of openness, collaboration and of sharing knowledge will be key in the future. Digital natives are already closer to the sharing culture. Companies need to react respectively capitalize on this social development.
4. *New form of leadership - from being a „time teller“ to being a „designer“*: Leaders should understand themselves as designers of transformation processes. Moreover, leadership needs to be understood differently in the future. Designing the right processes and frameworks, in which people can work effectively, will be key.
5. *Attention! Strategy implementation*: The implementation of strategies is a vastly undervalued topic. Given the complexity of the digital transformation for companies, this topic deserves much more attention by top management.

Digitalization, big data und automation bring along opportunities and risks for companies. It is important to identify the specific strategic challenges for one’s own business. Based on these, leadership teams need to develop the specific answers – a company-specific answer in the sense of a consistent strategy and a newly considered, adequate leadership and transformation approach.

MMag. Caroline Cerar MSc.

Managing Director – Management Counterparts

www.management-counterparts.com

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