



Strategic Direction

Disrupting market strategy: How digitalization is causing upheaval to established markets and strategies

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Disrupting market strategy

How digitalization is causing upheaval to established markets and strategies

Digital disruption and technological breakthroughs are upending industries and marketplaces around the world. It is no longer the case that executives can ignore or refute the transformative power of the digital world on business or strategy. Those that adopt digital technology are granted a tactical advantage over their competitors. Yet it is a significant hurdle for any organization to attempt to alter business strategy to adopt new technology and processes. Increasing this problem is the speed at which digital technology develops, meaning organizations that are slow to adopt new technologies can be left behind quickly. Streamlining of processes and a flexible approach to technological adoption is key to maintaining a strategic advantage.

Traditional business strategy is failing to address the issues that are being raised by the new breed of technological organizations that are flooding the marketplaces globally. What used to be an efficient way to allocate capital, following the four steps of diagnose, define, decide, and deliver, is now seen as a barrier to fast and effective development. Technology used to be seen by strategy consultants as something to choose after an organization decided its business strategy in order for it to be enabled. However, it is clear in today's markets that technology has the potential to fundamentally change and improve customer experiences and employee capabilities whilst drastically cutting costs. It is now essential for organizations to understand what current technologies are available to use, but also what technologies are coming that have the potential to reshape the current marketplace.

The power of tech startups

Mature organizations are constrained by legacy architecture, earnings reports, and ultimately, internal stakeholders. Tech startups, such as older giants like Amazon and Google, or newer arrivals like Tesla or Uber, are able to re-shape industries by overcoming barriers by coming from fresh and different directions. They are not tied by the same constraints that established organizations struggle against. More importantly, such industry changers embrace the disruptive potential of employing leading technology experts. These figures are those that look to try any solution to improve an organization irrespective of the risks. This means that all organizations within an industry need to be constantly aware of what others around them are doing to avoid being left behind by innovation. Furthermore, organizations need to adopt an attitude of directing what customers want, rather than acting on what they currently state they need.

Organizations need to be developing products or services in expectation of what the market will need in advance. Those organizations that react to, rather than change the course of an industry are destined to fail. One of the key methods of predicting future customer behavior is by utilizing the huge amounts of consumer data that is collected daily. Analytics is becoming a new driver of innovation, and those organizations that want to keep a strategic advantage need to either work with organizations that are already leading in this field or invest in the ability to collect and analyze consumer data.

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A strategic model for the future

In order to consolidate strategic advantage and defend against newcomers, organizations need to evaluate their strategy teams. Such teams need to include people with strong experience that covers all technological domains, especially digital technologies. There also needs to be considerable thought put into collaborating with newer, more technologically innovative and disruptive organizations rather than be challenged by them. There should be a reconsideration of an organization's core purpose. In order to stay competitive, an organization needs to be prepared to innovate and disrupt both the industry within which it operates, as well as its own business processes. Companies such as Netflix have disrupted their own business model multiple times in order to stay ahead of the competition. Innovation should become the core function of an organization, not just a tool with which to stay afloat. To do this an organization has to embrace agility in order to identify and adapt to new opportunities as they arise. Cloud-based computing and analytic capabilities are a tool with which organizations are able to innovate and adapt rapidly.

Berman and Dalzell-Payne (2018) have identified four concepts to consider when attempting to modernize organizational strategy:

1. recognize that strategy isn't theory – experimentation with ideas is essential, learning to try and fail fast, or scale up ideas that show traction;
2. rethink who "owns" strategy and who participates in development – involve employees in decision-making processes, particularly those who have knowledge of the market and technology dynamics, as well as experienced business partners;
3. follow the value – focus on value innovation, as often assets are not being monetized because the potential to do so hasn't been considered; and
4. and reconceive the future – embrace Digital Reinvention in order to work with and for customers to anticipate their future needs, using an outside-in approach.

Comment

The review is based on 'The interaction of strategy and technology in an era of business re-invention' by Berman and Dalzell-Payne (2018), published in the *Strategy & Leadership*.

Reference

Berman, S. and Dalzell-Payne, P. (2018), "The interaction of strategy and technology in an era of business re-invention", *Strategy & Leadership*, Vol. 46 No. 1, pp. 10-15.

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