

Digital transformation: threat or opportunity?

 By [Kim Andersen](#)

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The concepts of digitisation and digital transformation have been floated in endless conversations about the future of commerce. However, while we tend to refer to these concepts in abstract terms, the hard realities of digital disruption are starting to hit businesses. Industries are being up-ended almost overnight by the new business models made possible by the convergence of new realms of technology.



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Those enterprises that are investing heavily in areas like automation, analytics, digitised processes, mobile customer channels and social marketing, are finding themselves in the position to attack slower-moving incumbents in other verticals. Take the financial services sector in South Africa for example. This vertical was traditionally protected by very high barriers to entry such as regulation, governance, licensing costs, scale economies and an oligopolistic structure.

But over the past few years the leading banks have seen the emergence of financial services products from retailers, cellular operators, medical aid providers, emerging payments or "FinTech" startups, and global tech giants like Apple and Facebook. These new competitors are arriving in the financial sector with fresh thinking, less legacy infrastructure and strong consumer brand perceptions. Cast in this light, digital transformation poses a startling risk for industry incumbent such as a large banking institution.

Dealing with disruption

Ironically, the only solution to combat the threat of digital transformation is for the organisation to embrace that very concept itself. One of the most apt phrases, 'disrupt yourself before someone else does', rings true for almost any traditionally-oriented organisation.

In other words, transforming towards a digital organisation is the only way of remaining relevant with customers and increasing the value one provides to the customer. The good news is that the tools to start doing this are largely available to most organisations. We find that those still holding back and remaining rooted to their analogue ways, are generally suffering from cultural inertia or a myopic understanding of their evolving industry.

To demonstrate the possibilities of digitisation, let's look at retailers for example. It is now possible to connect things like video surveillance, inventory management systems, customer loyalty programmes, digital storefronts, financial data, and analytics platforms. Therefore, a sensor could record a box that has been turned upside down which, for instance, could potentially indicate stock theft or damage, and send an alert to supervisors. In this way, the retailer could integrate sensors into the supply chain and warehousing processes, to improve efficiencies and provide better services to its customers, while limiting the theft in transit.

Putting it into practice

Organisations can get a jump on their competition, and remain one step ahead of new challengers by taking an 'outside-in' approach to their businesses. This means considering the needs of the customer as the foremost priority, and re-imagining one's operations and innovation capabilities to fit around those needs. Often we find that existing processes and systems are no longer relevant to achieving success in the new economy.

It becomes essential to measure the levels of digitisation within the organisation, and track this progress against a defined digital strategy. It also requires new ways of thinking and new ways of leveraging existing relationships. If, for instance, a petrol forecourt already has an established partnership with a consumer goods retailer, then it could look at delivering fuel alongside a home-delivery shopping order, for example.

So, as the nature of the retail industry changes to incorporate things like home delivery, the petrol forecourt can look at new ways to add convenience to its customers' lives. The organisations that start thinking in this way will ultimately be the ones that succeed in the rapidly-changing landscape of digital transformation. For innovative business models like this to become possible, a number of fundamentals need to fall into place: digitally focused culture, organisational rewards and incentive structures, new processes, flexible technologies, innovative strategies, and an incessant focus on data analytics of the new digital journey.

At T-Systems we believe that this thinking has the potential to culminate in what we term the 'digital nation of South Africa'. This ideal would see organisations form ecosystems, borne from new technologies, to create efficiencies and customer value that accelerate our country's position in the global economy.

ABOUT KIM ANDERSEN

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