Digital Vortex
How Today’s Market Leaders Can Beat Disruptive Competitors At Their Own Game

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- Cisco and IMD co-founded Global Center for Digital Business Transformation in 2015
- IMD = Institute for Management Development, ranked #1 globally in executive education
- Mission: Develop research-based roadmaps to accelerate digital transformation
- Outputs: Original research, executive events
- A true partnership: Cisco executives, IMD faculty co-create real-world research
Digital Disruption Is the #1 CXO Careabout

Two-thirds of CEOs (66%) see more threats facing their businesses today than three years ago.

Source: PwC 19th Annual Global CEO Survey

All CxOs identified the risk of industry disruption caused by an unlikely competitor outside their industry as a primary competitive threat.

Source: IBM Global C-Suite Survey, 2016
Digital Competition Is Intensifying

40% Market incumbents displaced

3 years Expected time to disruption*

1 in 4 Companies actively responding

*Disruption = Substantial change in market share among incumbents
Source: Global Center for Digital Business Transformation, 2015
No Industry is Safe

The Digital Vortex

- A force that **pulls everything toward the middle**
- **Chaotic**: objects are drawn to the center with exponentially increasing velocity
- Industries may **dissolve and recombine**
- At the center, all value that can be digitized is digitized
Three Categories of Digital Business Models

**Cost Value**
- Free / Ultra-low cost
- Buyer aggregation
- Price transparency
- Reverse auctions
- Consumption-based pricing

**Experience Value**
- Customer empowerment
- Customization
- Instant gratification
- Reduced friction
- Automation

**Platform Value**
- Ecosystem
- Crowdsourcing
- Communities
- Digital marketplaces
- Data orchestrator
In the Digital Vortex, Incumbents Must Learn from Startups

What advantages does each type of company have in its ability to capitalize on digital disruption? [941 respondents]

Source: Global Center for Digital Business Transformation, 2015
The dynamics of the ‘Digital Vortex’ will require organizations and governments to acquire a new level of agility that will allow them to not only change what they do, but to adapt often.

– John T. Chambers, Executive Chairman, Cisco

From the foreword of *Digital Vortex*
Digital Business Agility

Hyperawareness
A company’s ability to detect and monitor changes in its business environment

Informed Decision-making
A company’s ability to make the best decision in a given situation

Fast Execution
A company’s ability to carry out its plans quickly and effectively

Digital business agility enables companies to counter and capitalize on digital disruption

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Hyperawareness

**Behavioral Awareness**
Workers – Gaining deep understanding of how workers act, what they think, and what they value

Customers - Gaining deep understanding of how customers act, what they think, and what they value

**Situational Awareness**
Business Environment – Sensing changes in the marketplace—including the company’s customer base, competitors, and partner ecosystem—that are relevant to an organization’s mission.

Operating Environment - Sensing changes in the operating environment—including physical assets such as oil rigs, manufacturing plants, vehicle fleets, buildings, and facilities that companies use to deliver the products or services they sell.
Here’s a question for you…

Which of the following has the most highly subscribed YouTube channel as of today? Your choices are:

FC Barcelona
Justin Bieber
Katy Perry
Felix Kjellberg
The White House
What is Twitch?
Informed Decision-Making

Diverse Perspectives – Ensuring that all the decisions benefit from the diversity of perspectives within the organization.

Inclusive Environment – Fostering a culture where everyone is willing to participate and engage.

Augmented Decision-making

Ubiquitous Analytics – Embedding analytics directly into work processes at the point of decision across the organization.

Automated / Fast Decisions – Accelerating the speed of decisions through automation and analytics.
Steve is very shy and withdrawn, invariably helpful but with little interest in people or in the world of reality. A humble and tidy soul, he has a need for order and structure, and a passion for detail...

Is Steve more likely to be a farmer or a librarian?

Courtesy of Daniel Kahneman
Fast Execution

**Dynamic Resources**

Agile Talent – The ability to acquire, manage, and rapidly shift talent as business conditions dictate

Agile Technology - The ability to acquire, manage, and rapidly evolve enabling technology as business conditions dictate

**Dynamic Processes**

Rapid Enablement – The accelerated introduction of new organizational capabilities across a broad spectrum of value-creating activities

Rapid Intervention – Taking immediate action to capitalize on opportunities or neutralize threats, whether to capture a sale, optimize operations, or prevent an accident
Putting It All Together

Situational Awareness: The ability to identify changes in an organization’s internal and external environments, and to understand which changes matter.

Behavioral Awareness: The ability to understand how workers and customers act, what they think, and what they value.

Dynamic Processes: The ability to rapidly introduce new business processes and adapt existing business processes to changing business conditions.

Dynamic Resources: The ability to acquire, deploy, manage, and re-allocate resources (e.g., talent, technology) as business conditions dictate.

Inclusive Decision-making: The ability to make decisions based on the shared intelligence that emerges from the collaboration of disparate individuals and teams.

Augmented Decision-making: The ability to incorporate data and analytics into the decision-making processes across an organization.
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