

# LET'S GET DIGITAL

How can a business speed through the trough of digital transformation, asks Reinhold M. Karner.

For the past five years, everyone and their dog had been dropping those magical two words: digital transformation. And courtesy of that, expectations have been simmering and are now coming to a boil, with industries being reshaped, winners emerging and traditional industries disrupted like there's no tomorrow.

And that leads to one important question: is there actually a tomorrow?

Half a decade into the digital shift, we find ourselves at the peak of inflated expectations.

And if the hype cycle from Gartner Inc., the world's leading research and advisory company, teaches us anything, a digital trough of disillusionment is coming. Moreover, how can a business speed through the trough?

Businesses will have to measure success with new digital KPIs, explore the future talent strategy, and adopt three approaches to creating digital value at scale.

First, focus on how digital is reshaping industries. As an eye-opening example let's have a look at clothing. In 2005, traditional stores were in denial. Nobody would buy clothing online because everyone wants to try it on. They were wrong. Customers flock to online stores like Asos and more nimble supply chain optimised brick and mortar stores like H&M and Zara. Just consider: last year, Amazon became the largest clothing retailer in the US. The incremental growth of its clothing lines alone will dwarf the current revenues of its major competitors.

E-commerce and digital are affecting every retail sector, and a clear pattern has emerged. Once digital revenues for a sector hit 20 per cent of total revenue, the digital shakeout begins. So watch out for that 20 per cent mark.

Secondly, understand disruption. Disruptors find new opportunities, and then attack the weaknesses of incumbents by serving unmet customer demand, using excess capacity in the supply chain, exploit new

platforms for awareness and marketing, and capitalise on new distribution channels.

Digital also exposes the weakness of incumbents. For instance, in customer demand, when prices rise faster than the rate of inflation, new entrants offer more choice and a better experience at a lower price using digital.

In supply chain, companies that have invested in more nimble end-to-end analytics and faster inventory management have succeeded while traditional organisations struggle.

In customer awareness and marketing, brands that use Instagram, Facebook, and other non-traditional digital marketing channels are accelerating their transformation.

And finally, in distribution, the most opaque businesses like the sale of bedclothes are becoming transparent at the expense of the existing stores.

But incumbents are not sitting still. Whether you are in the consumer industry or not, follow the frontrunners and create your set of enterprise wide digital KPIs. These will become your enterprise's compass built into the performance objectives of every executive in your organisation. It's digital KPIs that measure leading, not lagging indicators. Not only that, but businesses need to adapt deep operational KPIs. For instance, coach operators are measuring not only whether the trains run on time or not, but how they deliver

“**To get to digital and scale, you need to hire leaders who in turn will develop others**”



How fast you transform matters.

each passenger to their destination on time. It's experiential KPIs.

Or perhaps you will measure speed, because how fast you transform matters. Two thirds of all business leaders believe that their companies must pick up the pace of digitalisation to remain competitive.

The new breed of CEOs must use technology to gain competitive advantage. Everyone at the management level can and should play a significant part in the digital transformation. But it does not mean the exact same thing to every C-level position. To meet the digital challenge, you must understand both what is expected of you and what you truly aspire to be.

All roles have value of course. The digital/IT partner is expected to operate in a more transactional way with a focus on managing services, core IT, and value for money, while also preparing for digital. The digital builder is designing and enabling new products and services, working with others across the enterprise. And the digital pioneer is acting as an entrepreneur leveraging technologies to build new capabilities, new business models, and new revenue streams to achieve digital value at scale.

Businesses should consider three aspects of scale: scaling

up, across and out. Scaling up means, in economic terms, maximising output relative to input. Scaling across involves creating a culture that rapidly learns and adapts. And scaling out is interconnecting platforms and ecosystems both in the internal world and in the external world. Combining growth and speed. And this is where digital gets truly transformational.

But how do you do it? By focusing first on talent. However, you will need a different approach to traditional hiring because the market for talent is highly dynamic. Gartner Inc. has analysed 200 million job postings. When brought to life, this analysis reveals some really surprising challenges. In 2015, organisations needed CRM, cloud computing, and project management, and the market met the need. Next, information management grew, and, for a short time, infrastructure jobs – as well as corporate finance. The market met the need.

And suddenly there was a huge rise in demand for security positions, and this stays strong. The market is not meeting the demand. Organisations are struggling to find security talent. How will the job market fill the gap?

In short: Gartner Inc. says it won't. Instead, the answer lies in what is coming next.

If we look to 2018 and beyond, ahead of the data, Gartner

Inc. anticipate three high demand skills: artificial intelligence, digital security and the internet-of-things.

In addition to providing value on its own, AI will be critical to solving both digital security and the IoT challenges. It will be an essential defence, creating a continuously adaptive risk and trust response. So prioritise your investment in artificial intelligence beginning at the top with AI capable leaders.

To get to digital and scale, you need to hire leaders who in turn develop others. The question is, will you be able to find them in the talent pool? That's not easy. Let's have a look into actual data on job seekers. There are 20 billion data points from Gartner's talent neuron database. This is real and current data. First, let's look at the entire talent pool. Worldwide, that's 1.5 billion people. Cut that down to candidates for IT jobs. That's about 15 million worldwide, and 8.8 million have IT job experience.

But now consider those candidates who specifically have AI experience. That's about 1,300 people, which is one-millionth of the workforce. So where in the world one would be able to find them?

And acting in their own economic self-interest, you might think these candidates only go to digital giants, or

professional service firms, or technology companies. And they do, but new data shows aggressive hiring of AI talent within transportation, insurance, media, and banking industries.

Do you see the pattern in both security and AI? That's a dilemma! While you need the capability, you may not be able to find the people. So it is time to get creative with a multi-year talent strategy. Find alternative ways to fill the need using contracting, renting, sharing, nurturing from within, crowd source, lease skills instead of buying them, and work with your sourcing leaders to capitalise on external services.

And looking further out, it will help you augment people, combining the best capabilities of humans with the best capabilities of machine learning systems.

The next thing is to unleash the scale accelerators: digital dexterity, network effects technologies, and the industrialised digital platform.

Digital dexterity is defined by Gartner Inc. as a new set of attributes and skills to allow you to operate successfully in a continuously changing digital world. Digital business execution requires skills like more frequent complex decision-making, continuous problem-solving, rapid pattern recognition, and exception handling. Ultimately, it is

## Confirming Malta's status as a gaming hub

The third edition of the iGaming Idol event, which recognises and rewards high-achieving employees from across the global gaming industry, was launched recently.

The gala awards evening will be held at the Intercontinental on September 26 and has already attracted a sellout crowd of over 500 iGaming industry leaders and employees. On June 14, iGaming Idol will host a charity social evening, which brings focus to local charities.

"As charity ambassador, I'm delighted that we can bring the gaming community closer to charities in Malta," said Patrick J O'Brien from Exante.

"I believe we all have a role to play in making sure we do our best to help the most vulnerable in our society," he added.



Charity ambassador Patrick J O'Brien, Isabella Vella, Danny Drinkwater and Anezka Boriova at the iGaming Idol launch.

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Reinhold M. Karner is an international business success advisor, mentor and coach for entrepreneurs, family businesses, SMEs, start-ups and corporations. He is also a chair and fellow of Think Tanks and the RSA London as well as a multinational non-executive director on several boards. For more information visit [www.rmk.org](http://www.rmk.org).