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Don't be a sitting duck. Respond to changes in markets with practical strategies

There has always been a 'dog eat dog' element to the business environment and the rise of digital technology has rapidly increased the pace of change along with the available tools for firms to be displaced – or disrupted – by a better business model.

Senior executives of traditional firms need to stay sharp lest they fall prey to the next Uber, or Netflix. But according to **Nick Wailes**, a professor and deputy dean (digital & innovation) at UNSW Business School, it's not as if there's "an irresistible and immoveable force sweeping through, and no one can do anything about it".

It really comes down to individual managers and leaders making good decisions about what to do and when to do it," Wailes says. "And that's why it's important not to look at it and go, 'Oh, it's too hard to deal with', but to develop realistic practical strategies to start to respond to changes in markets."

Accordingly, Wailes and consultant Virginia Kane offer 10 things managers can do to survive digital disruption.

Look outside your organisation and industry
Industry boundaries are breaking down, and your present competitors may not be your competitors in the future. Consider the head of Mercedes, who says he spends more time worrying about Apple and Google than he does about BMW or Toyota. It's a recognition that the traditional divide between an automaker and a lifestyle electronics firm is starting to collapse, because of the role of digital.

"It's really important for managers to look at what I call adjacencies – that's industries that have some similar characteristics to theirs but are not necessarily the same, so they can see how things might play out in their own industry," Wailes says.

Learn to code
As many industries are effectively becoming software industries and every enterprise needs a digital presence, code is emerging as the new language of business.

"Understanding code and its logic is a very important new set of skills," Wailes says.

"I don't mean by this that individual leaders in organisations need to be able to code an app – or do those types of things – but they do need to know how that world works and how to talk to the experts and specialists, because it will have a big impact on pretty much every industry you can think about."

Disrupt yourself
Management teams should consider how they would disrupt their own business – to make them aware of when competitive threats are likely to come along, and also expose some assumptions on misguided views they may have about the market. And once they've figured out how they could be replaced, they should do it to themselves as quickly as possible, because if they've figured it out, someone else can do it, too.

"I'm of the view that you're better off to eat yourself than get eaten by somebody else because at least you're preserving the calories," notes Wailes.

Ask whether you really understand your customer
A big impact of digital is the rise of customer sovereignty. For some categories of goods, such as washing machines and TVs, more than 90% of people who walk into a shop to buy something have already done online research on the item. They can be better informed than even the floor staff. This gives customers power and it can seem scary. But the upside is that businesses can also use digital tools – such as social media – to learn a lot about the buying habits of their customers and their lifestyles, enabling a good understanding of a variety of customer segments.

"If there's one big shift that's happening across most markets, it's that you need to build a picture of your customers, be always looking at that, and use the data to help drive your decisions all the way through your business," Wailes says.

Re-evaluate your IT function
In the old days, IT was like a plumbing function in companies, the provision of a service that gave everyone a computer and ensured they could get online. Now, a whole series of IT-related skills, along with the need for a great online presence and smart data analytics, are key to being competitive. And a number of things that have traditionally been done in-house – such as desktop support and network servers – are being pushed outside the company to specialist outsources.

"There's a really big shift that needs to take place in the mindset of IT and its role in the company and how it contributes to value," Wailes says.

Just ship it
It's traditional to ensure your product is perfect before offering it to customers. But the 'just ship it' logic suggests you can offer a work-in-progress to a small market segment and use the response to decide whether and how to iterate, or even to pull out.

"There are lots of examples of organisations that have spent a huge amount of money on new products or services that have failed," notes Wailes. "But this idea that you can very quickly ship something that might be 80% of the way there and then get rapid feedback on it, and use that to evolve the product, is becoming a much more sensible logic in a rapidly changing environment."

Don't ignore what you're already good at
While managers need to focus on building the business of tomorrow, they also need to ensure they're still doing a good job at the business of today. Even in the music industry, one of the most digitally disrupted of all industries, the pace of change can be deceptive. Revenue from digital downloads of music did not outstrip CD sales until 2014. The challenge for many businesses is to manage the transition between old and new business models.

Says Wailes: "Too much focus on a legacy business will mean you are poorly positioned for the transition, while too little focus can damage your ability to fund this transformation."

Make all of your employees into data scientists
A great advantage of digital is that it creates a data trail – lots of information about what's going on. For example, do you understand the way your customers' preferences are shifting? Most organisations are awash with data but not many people are using it. Invest in information processing capabilities and use the insights to inform decisions.

"It's a really critical skill and one of the most under-invested things in most organisations," Wailes says.

Develop an embedded, 'plug and play' culture
Digital means you need different types of skills, such as search engine optimisation, data sciences and software engineering. It's unlikely firms will be able to develop all these skills in-house. This is where the 'gig economy' comes in – being able to hire somebody for an hour, or a couple of days, to do something very specific. Organisations need to get good at identifying the skills they are missing and figure out how to 'plug and play' those people in. That means creating a more open organisation and embracing the view that there's a range of different talent available that may not necessarily work as your employee.

"Working on making yourself an easy organisation to deal with can really enhance your ability to adapt and change," Wailes says.

Don't stop
Even disrupters can be disrupted, as the recent bankruptcy of Quickflix – an early Australian video industry disrupter – illustrates.

"So it's not a move from point A to point B. You're basically on a treadmill now and you have to continue to move," Wailes says. "It's not as if it's a one-off change and then you can sit back and return to your country club. [Change is] the new normal. Don't stop."