

Digital innovation: embracing disruptive business models

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Innovation in emerging technologies, especially those harnessing data and analytics, is powering the current wave of digital disruption. This phenomenon has triggered a massive transformation in the business ecosystem. Customer experience, along with new business and operating models, is one of the key digital considerations that has an industry-wide impact. Disruptive business models typically provide customers with an enhanced experience at reduced costs. As a result, players that embrace such new business models stand to gain substantially and take a dominant position in the market.

Business leaders are dealing with an increased pace of innovation that is very disruptive to their ability to scale; and many fail to recognise these forces until it is too late. The ability to identify and successfully engage with disruption can be the difference between innovative ideas and their effective execution. True innovators disrupt the thought process across the value chain by taking advantage of digital capabilities to drive fundamental shifts in their business processes.

For instance, video streaming companies with Content Delivery Network (CDN) technologies disrupted the cable and blockbuster arena, taking the entertainment industry by surprise. This led to the innovation-led disruption of low-cost subscription models of video content streaming which outstripped traditional cable and satellite companies.¹

Key challenges

Digital innovation-led transformation stories face challenges related to growth, customer, productivity and people. These issues can be overcome with transformation levers like innovation, emerging technologies, data powered with artificial intelligence and new ways of working.

When it comes to real disruptive thinking, the key challenge is to operationalise digital innovation by using emerging technologies like big data, mesh networks, persistent connectivity and cognitive computing. Organisations need to embrace digital disruption in order to gain a competitive advantage and spur revenue growth.

Therefore, understanding the disruptive forces at play will enable organisations to keep existing customers happy while creating opportunities for new customer onboarding and personalisation.

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Three-point approach

Typically, organisations that have successfully transformed their business process and measured high on digital maturity have employed a three-step approach to digital innovation-led transformation.

- **Innovation:** It is not about the technology itself; instead it is about new business models that leverage technology. The key is shaping strategic direction and designing innovative products and services informed by market and customer research-driven insights while establishing a strong digital vision and culture within the ideation community
- **Incubation:** It is about finding a problem and creating an approach that changes the way the problem is solved. Incubation involves building a pilot product and services with an agile and human-centric design thinking approach. Customer usage becomes a key focal point as initiatives are executed around what is known as the 'ideation, digital and technology triangle'
- **Commercialisation:** The objective here is to launch and scale profitable products and services through venture partnerships with a newly defined operating model which identifies, attracts and develops talent to operationalise successful transformations.

Why organisations need to be proactive

While technology disruption is not new, its speed has picked up. This can be seen in the acceleration of digital strategy-enabled opportunities requiring information technology (IT). The transformation, simplification and resilience of business processes, coupled with establishing a culture of innovation, should help organisations prepare for future downturns and better respond to ever-changing business needs. This effectively means innovation should be a normal day-to-day continuous process and not a unique one-time activity.

This can be seen in telemedicine technology, a disruptive business model that is shaking up the hospital and traditional clinical practice. It facilitates virtual consultations with doctors or remote Mediclinics, while artificial intelligence (AI) based algorithms are leveraged to conduct basic diagnostic and patient history analysis. This is a relatively easy, cheap, convenient and accessible process, disrupting longstanding incumbents in the healthcare industry.

Conclusion

End-to-end innovative programmes should deliver significant outcomes which drive improved customer, channel and employee experience and set in motion a culture of customer centricity and agility.

Disruptive planning should lead to prioritisation and alignment of technology and digital investments while breaking organisation silos, and thus yielding a more collaborative culture. As digital disruption

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continues to gather pace, organisations will need to increase their ability to recognise, prioritise and respond to digital disruption in order to drive better business outcomes.

¹ India's digital future: Mass of nices, KPMG in India, August 2019

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