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CUSTOMER ACUMEN

INSIGHTS TO BUILD
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EDITORIAL



Dear Reader,

As we welcome the New Year, corporates look back to understand how well they have performed in the previous year. While 'performance' today is not only confined to year-end target figures, measuring customer satisfaction and their respective customer journeys becomes the key to standing out from the competition. Corporates therefore are trying to walk that extra mile to serve customers in this digital age and to bridge any gaps in client interactions and experiences.

The buzz today is to use technology to radically improve performance or reach - Digital Transformation (DT). One of the major goals of such a transformation is to establish an infrastructure that will not only give one the ability to develop but sustain relationships between a digitally transformed organisation and customers. Customer Acumen this quarter takes a look at **Digital Transformation**, a concept which is gaining traction and is not only associated with providing superior customer experience but creates new business models to drive operational excellence and enhance customer journeys.

In this issue, **Prasad Deshpande** shares his thoughts on the importance of Digital Transformations citing various illustrations of how companies have chosen a different path to achieve scale. **Jaspreet Bindra**, Senior Vice President - Digital Innovation and E-commerce at the Mahindra Group, discusses the challenges corporates face in the implementation of such Transformations. **Rohan Shahane** reviews Mcnish's and Silcoff's thought provoking book - **Losing the Signal** - which takes us through BlackBerry smartphone's rise and fall. In-house Cartoonist, **Vikram Nandwani**, offers his take on Digital Transformations.

As we usher in the New Year, here's wishing out patrons the very best of 2017. We value your relationship with us and look forward to your feedback and comments on how best we can serve you through our e-zine, **Customer Acumen**.





MUSINGS



Harnessing the Power of Digital Transformations

- Prasad Deshpande

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us." - Charles Dickens

The old masters do have a way of describing how we feel today with uncanny accuracy. The whole demonetisation disruption has brought to sharp focus the argument for going digital. One might argue on the speed and preparedness of execution, but no one really finds fault with the vision of creating a digital India. There clearly is a shift at all levels in the society of the acceptance of the need to go digital from the *panwalla* who accepts cards, the vegetable vendor and the maids to whom we wire money ... this is Digital Transformation on an unprecedented societal scale.

There is a less dramatic and quiet revolution brewing in the world of business as organisations too are waking up to the need to transform digitally. According to Forrester Research's latest report on digital strategy, three quarters of businesses surveyed will be taking action with a digital strategy in the next year to meet the digital disruption challenge facing their organisation. More than half also believe that digital technologies are a major driver of business strategy.

There are many organisations who are much further down the road than the others - the so called 'Digital Masters' like GE, where the tagline in a recent GE ad for recruiting software engineers is "GE is a digital company and also an industrial company". The other 'Digital Masters' who excel at digital thinking and have embraced both digital customer experiences and operational excellence, to name a few are, John Deere, Siemens, Pitney Bowes, Asian Paints and Burberry.

Each of these organisations, not surprisingly, are rated as highly innovative and in all these organisations there is a significant redirection of R&D from physical products to software and services. CEO Jeffrey Immelt announced in 2015 that GE aims to be "a top 10 software company" by 2020, and that the transformation would determine the company's success or failure over the next decade. Klaus Hoehn, Vice President of advanced technology and engineering at John Deere reports that "it is not hard for me to predict that we'll have more software engineers than mechanical engineers at the company within the next five years".

The three most commonly cited explanations for why companies are shifting R&D budgets toward software are staying competitive (57% of survey respondents), driving revenue growth (54%) and meeting changing customer expectations (48%). The next most frequently cited reasons are the need for higher margins, the desire to access untapped markets, the need to reduce operating costs, and the desire to better incorporate digitization into the business. (*Source: Strategy and Analysis*).

For legacy companies or 'Digital Dinosaurs', Digital Transformation cannot only be about developing software and hiring loads of software talent but about understanding the fundamental shifts in mechanics that drive business scale. What does this mean? Uber, Airbnb, Google, Facebook, Apple and Amazon have become some of the most highest disrupters and highest valued companies as they follow a different path to achieve scale. That scale is achieved by embracing and enabling the shift from the linear (or pipe) to the networked (or platform) business model.

In the linear model, value is 'centred around an end to end process that shifts value down the pipe from producer to consumer' and served as the dominant business design for the business economy. Service providers, manufacturing industries, hotels, traditional media are all pipe pushing products, services or content to us.

In the platform model, businesses act as platforms enabling interaction and exchange of value between producers and consumers and resources are not owned by the producer. For example, in Airbnb, resources are owned by the hosts; on Uber the resources are owned by drivers. TV radio, newspapers work like pipes pushing content to consumers; on YouTube and Medium, the content is created by consumers who are producers.

Digital Transformation is really at its core about organisations recognising the need to adapt their successful dominant pipe models to a platform model where the behaviours and mindsets are clearly different. Two great examples are Nest and GE. Nest's thermostats constantly create data as GE's machines do. GE's machines plug into a common platform and feed data to all individual objects connected to the platform who 'constantly learn' from this data. Nest aggregates data about energy consumption across all thermostats and provides analytics to utilities, a great source of value.

These are exciting times, the best of times for 'Digital Masters' and the worst of times for 'Digital Dinosaurs' as the world becomes more connected. 'Platforms that harness these connections and the ensuing interactions into effective business models will win.' (*Sangeet Paul Choudary, Author of Platform Revolution*)



SPOTLIGHT



Jaspreet Bindra

Senior Vice President – Digital Innovation and E-commerce
Mahindra Group



***Jaspreet Bindra** is the Senior Vice President - Digital Innovation and E-commerce for the Mahindra Group of companies and has twenty years of business leadership, sales and marketing, business turn-around and entrepreneurial start-up experience across digital, mobile, retail and telecom businesses, largely in the consumer and SME space.*

Prior to this, Jaspreet was the CEO of AskMe, the yellow pages provider transformed into a mobile app-led local search play. He has also spent more than six years with Microsoft India as Country Manager of the Internet and Mobile business, and later became the Regional Director for the Retail, Entertainment and Devices business. He started his career with the Tata Administrative Services (TAS) and spent ten years with the Tata Group across the FMCG and telecom businesses of the Group. He also was part of the start-up team of Baazee.com (now EBay India) as their Chief Operating Officer.

Jaspreet is also very active across the tech start-up ecosystem and has invested, advised, mentored and incubated a dozen tech start-ups. He has been the Vice Chairman of the Internet and Mobile Association of India (IAMAI), Member of FICCI Media & Entertainment Committee and is a Charter Member of TiE. He has spoken at HBS, ISB, IIMA, IAMAI, CII and other academic and industry forums. Business Today listed him as one of the 'The Top 25 Young Managers in India'.

Jaspreet is a Chemical Engineer and has an MBA in International Business. He has been a keen quizzer and was National Champion in the Brand Equity Business Quiz thrice.

CA: The new buzz in industry is 'Digital Transformation'. How would you define this?

JB: There are multiple definitions of Digital Transformation. The one I like is by Professor George Westerman at MIT: "Digital Transformation is the use of Digital Technology to radically improve the performance and/or reach of a company". This is simple and succinct and describes how we can use different digital technologies to transform customer experience, product, people, processes and business models of non-digital legacy companies to digital ones.

CA: Despite the importance of Digital Transformations, most companies still have a long way to go in their respective Digital Transformation journeys. What are the challenges that corporates in various industries face in the implementation of such Transformations? Is there a way to measure the state of readiness?

JB: Most times, people misunderstand the importance, urgency, time taken and the sheer hard work required to transform a company digitally. Most often, the impression is that if we make an app or a website, we are 'digital'. There is a lack of knowledge and talent in the country and industry to even guide CEOs on what it takes to become digital. To be ready, first of all, the CEO needs to be convinced, since his company is going to be radically transformed and there will be lots of pain in doing so. He then needs to take his Board and his C-level colleagues on board. He needs to define and understand what business metrics will digitally transform, impact and change. He also needs to accept that there will be huge changes, primarily around people and mindsets and some people will go and new people will come. There really is no universal measure. McKinsey has something called the Digital Quotient (DQ). George Westerman has a simple 2x2 matrix, which defines where the company is, but no universal measure.

CA: What are the challenges that corporates in various industries face in the implementation of such Transformations?

JB: The challenges are multifold:

1. Lack of advisors/consultants
2. Lack of willingness to invest for the long term
3. Lack of patience
4. Confusing alternatives and ever changing technologies
5. Most importantly, if the current business is doing well, there is the question of why to change anything now? "If it ain't broken, why fix it?" No one sees the disruption coming.
6. The biggest impediment or challenge is the mindsets of people - the lack of ability to change.

CA: 'Successful Digital Transformation comes not from implementing new technologies but from transforming your organisation to take advantage of the possibilities.' Please elucidate.

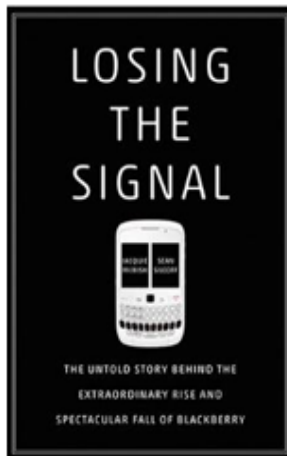
JB: Senior executives need to lead by example. They need to change their thinking, develop a long term outlook, accept younger and different kinds of people in their organisation and invest for the long term. They need to destroy the existing, long standing organisational structures. They need to think customer first and think 'customer journeys' across their organisations. The key to a successful Digital Transformation is really if it radically impacts some business metric - sales, revenue, cost or customer satisfaction.

CA: What are the digital strategies in place at Mahindra Group and how would Digital Transformations help in enhancing customer relationships and experiences?

JB: There are multiple digital strategies in the Mahindra group. We use one of the following three methods:

1. Incubation: where we seed a start-up within an existing company. Case in point is Trringo (www.trringo.com) which is an 'Uber for Tractors' within our large tractor company, or Smartshift (www.smartshift.in) which is an Uber for intra-city load transfer. This helps us experiment with new business models and seed disruption from within.
2. Acquisition: acquiring small stakes in start-ups (e.g. Club Mahindra taking a stake in Giftxoxo, an aggregator of experiences) to help in Digital Transformation, change and bring in a start-up mentality.

3. Organic: like in Mahindra Finance or Mahindra Auto where we are working on an end to end, long term Digital Transformation strategy including customer experience, product, people, etc.



'A lot has changed. Nothing has changed', exhorts McDonald's new brand campaign celebrating its 20 years in India.

Interestingly, this dichotomous tagline succinctly summarises BlackBerry (BB) smartphone's fateful rout in the ruthlessly competitive mobile phone market. From lording over half of the smartphone market at its peak, to plummeting down to under 1% currently, BB has truly had an unimaginable rollercoaster ride.

What really happened? How could the 'blinking red light' that governed our attention and triggered our thumbs into a 'default reflex' get itself into this situation?

In 'Losing the Signal', acclaimed journalists Jacquie McNish and Sean Silcoff present a whirlwind narrative that goes behind the scenes to unravel one of the most compelling

business stories of our times.

Given the background of the authors, this riveting tale is first-class reporting that reads like a racy novel. In that, it is not about conventional modern business failures often aggravated by fraud or greed. Instead, as the intriguing plot unfolds, one episode after another, it reveals the perilous speed at which innovators race along the information superhighway. Even at the time when BlackBerry was ranked the world's fastest-growing company, internal feuds and chaotic growth crippled it. As if this 'Achilles heel' were not enough, it also faced its gravest test - Apple and Google's entry into the mobile phone market!

At the heart of the story is an unusual partnership between a visionary engineer, Mihal (Mike) Lazaridis (founder), and an aggressive Harvard Business School graduate, James (Jim) Balsillie (former co-CEO). The book talks of how two opposite personalities built Research in Motion (now BlackBerry Ltd.) into a world-beater and how, eventually, they were beaten at their own game.

David Pogue, author of the bestselling Pogue's Basics and founder of Yahootech.com, makes a poignant observation - "In the tech industry, they say that you learn more from a failure than from a hit. Well, if that's true, Losing the Signal will give you a postdoctoral education."

The timeless tenets of proactive renewal and adaptation, be it people or business, continue to apply in the modern day. Will we once again be able to sing 'we are the BlackBerry boys'?

A lot has changed...nothing has changed!

FEEDBACK

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