From Disrupted To Disruptor:

Reinventing Your Business By Transforming The Core

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Disruption

"Disruption" might be a cliché, but it's hard to find a better word to describe the forces at work today. From the start-up insurgency rattling the foundations of business to a stagnating global economy to the political upheavals that have challenged decades of accepted wisdom, corporate leaders are facing deep uncertainties. This trend highlights a governing truth: the digital age rewards change and punishes stasis. But change comes in many flavours. Incremental adjustments or experiments at the periphery, for example, can provide real benefits and, in many cases, are a crucial first step for a digital transformation. But if these initiatives don't lead to more profound changes to the main business or avoid the real work of re-architecting how the business makes money, the benefits can be fleeting. Companies must be open to radical reinvention, which is a rethinking of the business itself. It requires companies to re-examine, recalibrate and in many cases re-architect their core capabilities to find new, significant and sustainable sources of revenue. How successful companies will be in transforming their core could be the difference between victim and victor in the digital age.

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Companies must be open to radical reinvention to find new, significant and sustainable sources of revenue. Incremental adjustments or building something new outside of the core business can provide real benefits and, in many cases, are a crucial first step for a digital transformation. But if these initiatives don't lead to more profound changes to the core business and

avoid the real work of re-architecting how the business makes money, the benefits can be fleeting and too insignificant to avert a steady march to oblivion.

Simply taking an existing product line and putting it on an e-commerce site or digitizing a customer experience is not a digital reinvention. Reinvention is a rethinking of the business itself. Companies need to ask fundamental questions, such as, "Are we a manufacturer, or are we a company that enables customers to perform tasks with our equipment wherever and whenever they need to?" If it's the latter, then logistics and service operations may suddenly become more important than the factory line. Netflix's evolution from a company that rented DVDs to a company that streams entertainment for a monthly subscription to one that now creates its own content is a well-known example of continuous reinvention.

Reinvention, as the term implies, requires a significant commitment. Knowing that digital success requires not only that investment be aligned closely with strategy but also that it is at sufficient scale. And digital leaders have a high threshold for risk and are willing to make bold decisions. But companies don't have to wait far in the future to realize those benefits. 60 to 80 percent of total improvement targets can be achieved within about three years while also laying the foundation for future growth.

For all the fundamental change that digital reinvention demands, it's worth emphasizing that it doesn't call for a "throw-it-all-out" approach. An engine

parts company, for example, will still likely make engine parts after a digital reinvention, but may do it in a way that's much more agile and analytically-driven, or it may open up new lines of business by leveraging existing assets. Apple, with its move from computer manufacturer to music and lifestyle brand through its iPhone and iTunes ecosystem reinvented itself—even as it continued to build computers.

There are many elements of a transformation, from end-to-end journey redesign and embedding analytics into processes to open tech platforms. They require a myriad of capabilities, from artificial intelligence and agile operations to data lakes, cloud-based infrastructure, and new talent. Many of these elements have been written about extensively, and each can absorb a significant amount of executive time. What's often missing, however, is a comprehensive view of how an organization sets the right ambition, how to architect the right elements for the transformation, then how to systematically and holistically undertake the change journey.

What the core is and why it needs to change?

"Think of your core muscles as the sturdy central link in a chain connecting your upper and lower body." That was the guidance from Harvard Medical School on how to stay in shape. The authors defined the core as the central set of muscles that helps a body maintain its power, balance, and overall health.

That's the essence of what is meant when talking about changing the core of the business—the set of capabilities that allows the entire business to run effectively. A company's

core is the value proposition of its business grounded in strategy as enabled by its people, processes, and technology. These elements are so intrinsic that any transformation that doesn't address them will ultimately underwhelm and fizzle because the legacy organization will inevitably exert a gravitational pull back to established practices.

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