



Disruption and the Innovator's Dilemma

Overcoming the adoption angst in the digital economy

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We had the Agriculture Economy, the Industrial Economy and the Knowledge Economy, followed closely by the Internet Economy and now the Digital Consumer Economy. Each successive era has had a profound impact on people, organizations and countries.

In each era, an understanding of "The Art of the Possible" has allowed some businesses to flourish.

Transition from one era to the other always involves disruption to the norm. The worrisome factor today is the pace at which changes are taking place. What the Internet Economy accomplished in a decade, the Digital Consumer Economy has already done, or will complete doing, within the space of a few short years.

VINTAGE DILEMMA

Most organizations evolve their systems over time by accumulating and embedding business rules, processes, checks and balances, data flows and workflows. The people who have developed and maintained these systems are highly knowledgeable of the businesses, policies, procedures, rules and regulations of their respective organizations. Yet for this entire generation of system builders, retirement looms in the not-so-distant future.

The vintage landscape has been abused over time and organizations have been managing its evolution. Systems have been tweaked to do much more work than they were intended for by design, they have been enabled for online business, and all these factors have led to tremendous volume growth. It is amazing to see that these systems have been able to scale, and in some cases, last year's peak is becoming this year's average.

Concerns abound: How long can these vintage systems cope with the increased volume of transactions? Are they still fit for purpose? What will happen when the system builders retire? How will these systems meet the needs of the Millennial generation and beyond?

At the same time, it should be noted that these legacy technology platforms maintain the "Systems of Record" for business transactions. They have served their purpose for years, and remain relevant in keeping the business going. Yet "Systems of Record" are not sufficient by themselves in today's context



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SYSTEMS OF ENGAGEMENT

In the digital consumer economy, customers have unprecedented choice. They have more access to information and are in a position to negotiate the best deals real time. Customers want to be understood, and they must feel understood. This certainly calls for action from businesses to build technology that can help employees better understand their customers' needs, facilitate proactive engagement and above all, be quick and agile to deliver value and relevance.

This new breed of technology goes beyond “Systems of Record” to deliver “Systems of Engagement.” Going beyond client retention, increasing the share of wallet, and other similar metrics, these “Systems of Engagement” pave the way for creating new businesses based on entirely new business models.

FEAR OF DISRUPTION

New players such as Uber, Airbnb and mobile-only banks are using disruptive business models based on digital technologies to disintermediate the norm, and these new players are setting benchmarks for agility. Accordingly, those (traditional) businesses that do not change and calibrate their business models with equal rapidity are losing ground.

In most organizations, the top leadership is in deep thought, and ‘exploiting digital opportunities’ has become a boardroom topic. Most leaders recognize that disruption is coming, and are taking active steps to defend themselves, whether by attempting to slow the incursion of new players or by leapfrogging their technology. There are some in the myopic minority who focus only on incremental revenue or on the profit curve, but those executives are exceptions to the larger trend. True leaders are aware of the threat of disruption, and are doing something about it.

To survive in the Digital Economy, you need to do the following:

- Implement a strategy to drive operational efficiency, keep lowering cost per transaction of servicing the business.
- Listen to the voice of customers and implement a strategy to Win, Serve and Retain Customers. This might mean cooperating with Fintech companies or even selling competing products.

Yes, there will be adoption angst and fear of disruption. It is not sufficient to hire fresh talent like data scientists and customer experience gurus. Instead, what is needed is for organizations to cultivate the ability to reimagine their businesses, and to integrate them in a team that will retain and extend the wisdom of the past.

Time is of the essence in re-imagining our businesses and bringing the power of Digital technology to bear for our respective customers. ■