DIGITAL DISRUPTION – THE EFFECT OF TECHNOLOGY ON GROWING ENTERPRISES
MINI-ROUNDTABLE

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PANEL EXPERTS

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David J. Brown is the global lead of KPMG’s shared services and outsourcing advisory (SSOA) practice and head of the firm’s global SSOA centre of excellence. For more than 20 years, Mr Brown has helped enterprises increase the effectiveness of their business services through global business services strategy, IT and business process outsourcing, shared services design, build and implementation, sourcing contracting, negotiations and governance.

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Morris Treadway is the Global Head of KPMG’s Financial Management practice and the global leader of the firm’s Enterprise Performance Management centre of excellence. With more than 25 years as a business transformation specialist, Mr Treadway has helped companies define and deploy innovative global transformation programmes for large clients to improve global integration, enterprise performance and realise business outcomes that deliver value.
RC: To what extent are new technologies impacting the corporate world? How disruptive have they proved to be and what kind of opportunities has this presented to growing enterprises?

Brown: New technologies always disrupt the corporate world. What is new is the pace at which digital technologies are having an impact, both on a sector-by-sector and function-by-function basis. Every company needs to recognise that digital disruption is part of the ecosystem in which it operates, and every company must have a digital strategy in order to remain financially viable. For example, the rise of e-commerce is negatively impacting not only the brick-and-mortar mall anchor stores of even premiere retail brands, but also the performance of the malls themselves. Yet the often-reviled Transportation Security Administration (TSA) is delighting travellers with its Twitter feed and rapid responses. We believe the organisations that are turning disruption into opportunity, successfully integrating digital into their businesses, and taking the initiative to deliver goods and services through digital will be the leaders in today’s increasingly competitive global economy.

RC: For all the opportunities digital disruption presents, what challenges face businesses as they seek to take advantage of new technologies such as the Internet of Things (IoT)? Further, how can such technologies impact the relationship between a business and its customers?

Treadway: Organisations must take a broad, holistic assessment of how new technologies will impact their internal and external operations going forward. One of the biggest challenges is focus. There are more enabling technologies and companies entering the market...
than ever before, and enterprises need a way to quickly evaluate which ones apply to their vision, rather than being distracted by every new shiny technology. Another challenge is making certain the required front- and back-office capabilities are both fully in place. Customers may be thrilled to custom-design one-of-a-kind jewellery via a 100 percent online boutique, but very dissatisfied when substandard purchasing, supply chain or production capabilities delay delivery. A third major challenge is with the data collected via the IoT or social media, as data is only valuable if it is leveraged for a particular purpose.

**RC: Could you provide any examples of where the introduction of new digital technologies has proved particularly disruptive to established industry practices?**

**Brown:** There are many public examples, be it Amazon, Alibaba, Uber or Google. We will continue to see disruption in multiple industries as solutions move from hype or incubation to live production and mainstream. For example, artificial intelligence (AI) and cognitive automation solutions will continue to change the customer experience and the way consumers and companies interact during the purchasing experience. Drones are experimentally being used by the shipping and consumer packaged goods (CPG) industries to reduce the cost of package delivery, and by real estate developers to survey and parcel out land in rural areas. The agriculture industry is using GPS to determine where to fertilise and water to achieve the best crops. 3D printing is already enabling the automotive industry to make vehicles stronger and lighter. Electronic health records (EHR) are revolutionising patient care. And physical robots are increasingly being used in the fast-food industry, not only to roll Sushi rice or flip burgers, but also to enable an automat-style, self-serving ordering process.

**RC: Could you outline any practical strategies that can help companies achieve positive transformational change through digital disruption?**

**Treadway:** It must be a strategic priority, based on a real plan, not aspirations. Executives must support it in a meaningful way. There must be adequate funding, but projects have to be self-sustaining. Start by aligning your vision and strategy with your core capabilities and current and potential disruptive technologies. Assess whether you have the culture, capability, agility, leadership and ability to change with the speed of disruptive technologies. Once the plan is set, companies must align the right resources to execute the strategy. This might require making some hard decisions on who will lead the company’s next generation of business. And critically,
they must develop and implement a robust change management plan to help ensure a smooth transition.

**RC:** In your opinion, how profoundly is digital disruption changing established work practices? What does this mean for long-term company culture and how digital technologies are embraced across the length and breadth of an organisation?

**Brown:** Very profoundly, from multiple dimensions. Many technologies will affect work practices, including cloud services, extensive availability of self-service applications, mobility advances, the rise of social media for brand building and customer impact, the growing dominance of e-commerce, and so on. The use of digital labour will be perhaps the most profound in terms of impact on workforces. Companies must evolve their workforce, communicate the potentially massive changes, and develop new succession plans, workplace environments, training programmes, and employee incentives to attract and retain the workforce of the future.

**RC:** What advice can you offer to growing companies on how to harness the power of digital disruption to enter new markets, transform existing products and introduce cutting-edge delivery models?

**Treadway:** The specifics are market and sector specific. But growing companies should embrace new technologies, hire or rent skilled workers that they need – and augment with digital labour where appropriate, have flexible and adaptive business strategies and operating models, think outside of the proverbial box and figure out which technologies will enable them to best exploit the weaknesses of their legacy competitors. The requisite flexibility will require a change in culture and leadership, and a rethinking of workforce structure.

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**David J. Brown,**
**KPMG**
RC: How do you expect digital disruption to reshape growing businesses in the years ahead? What overarching trends and developments are likely to emerge?

Brown: We expect to see more start-up firms and competition coming out of nowhere, as the barrier to entry is the lowest it has been since the dotcom boom. While this will provide companies with more solution choices, it will also create new competitors, resulting in a chaotic trend for companies trying to reinvent themselves or stay on pace with shareholder expectations. We also expect to see several mergers, with some of the large enterprises acquiring start-ups to buy their next generation of services. It is also possible that one or more giant corporations will fall by the wayside due to an inability to keep pace with more flexible and agile competitors. RC