

Technologist, transform thyself

By **Matthew Le Merle**

Over the past two decades, many industries have been transformed by new digital technologies.

Retail giants like Barnes & Noble and Borders have had to contend with e-books, e-readers, and new retail channels such as Amazon and Apple's iTunes. Media giants such as MGM and Warner have struggled to move their legacy media businesses into the world of digital media creation and distribution. Video game leaders like Activision and Electronic Arts are shifting from PC and console boxed games and moving to agile development tools and technologies that require their engineers to essentially learn entirely new ways of working.

Even in industries where products are not obvious candidates for digitisation, we have seen dramatic digitally driven transformations. For example, retail financial institutions have been shifting from branches to online banking. General merchandise and apparel retailers are struggling to fully digitise their supply chains to compete with nimble and flexible competitors, and automakers are embracing new drivetrain and in-vehicle digital technologies. Apple is even eyeing automakers, hoping to integrate its Siri voice technology into their vehicles.

Technology leaders such as Apple, Cisco, HP, IBM, and Microsoft have primarily acted as enablers and guides by bringing to market the technologies, solutions and services needed to power digitisation in other industries. In so doing, they have reaped

profound benefits.

Cisco became a global industry leader by shipping the boxes that built a worldwide Internet backbone. HP satisfied the enormous demands of government, enterprise, and small-business customers as they equipped their employee bases with connected workstations, devices, and enterprise infrastructure. And Apple became the most valuable company in the world as customers considering all types of products voted with their wallets to embrace digitised ways of reading, listening, watching, and working, powered by all forms of iDevices.

The biggest challenge for these tech companies has been a great problem to have - how do we get big enough and fast enough to satisfy skyrocketing demand? But now the times are changing.

These leading technology companies are facing the unsettling reality that the digital advances they have unleashed on the world are coming home to roost. These tools are attacking, disrupting, and undermining the very technology businesses and capabilities systems that were created and rapidly grown during the internet revolution. Ironically, these once subversive and disruptive tech companies have now matured into established businesses plagued by the same challenges as those whose transformations they helped drive not so long ago.

These companies are suffering because their legacy capabilities systems don't meet

the needs of the new world - and aren't being transformed fast enough to keep up. Cisco has announced a 9 per cent reduction in employees whose skills are no longer the right ones. HP is making 27,000 job cuts as it seeks to free up resources to reinvest in cloud, connectivity, and big data. Microsoft is moving all its offerings to the cloud and is refocusing, upgrading, and retraining thousands of talented-but-legacy skilled computer engineers and developers.

They have no small task ahead - simultaneously transforming their large legacy systems while building the cutting-edge capabilities systems they need to fuel the future. For guidance, they should turn to the industries their digital technologies transformed in the last decade. As we looked at dozens of these companies, three key insights emerged:

Be ruthlessly focused.

Identify the few key things your company does better than any other and let these differentiating capabilities drive your strategy. Trying to be all things to all customers is not a strategy, just an unsustainable hedge bet. Sure, it's more comfortable to hedge during times of transition, but all that guarantees is a seat in the back of the bus.

Run lean and outsource smartly.

Optimise costs, developing lean and deliberate practices that see you focus your spending and resources on your strategic priorities. In IT this means looking at every

legacy system and deciding which elements you need to own and which are no longer critical. Once you are ruthlessly focused on your capabilities, deciding what to hold close and what to outsource will be easy. Look at the success this brought Apple and Google when they enabled third-party developer ecosystems to build products for their platforms.

Cut to grow. Austerity will take you only so far. Reinvest some of the money you've saved by running lean and use it to fund your growth bets. Channeling your investments into your key capabilities and the talent that drives them will move your focused, lean, and smart strategy forward.

Global technology industry leaders have become giants fueled by the digital technologies that they unleashed on other people's businesses. Those technologies are now undermining the very parents that bred and raised them. That's a problem - but also an opportunity. The technology companies that learn how to successfully manage the same transformations they thrust upon other industries will be the ones that are "fit for growth" in the digitally enabled technology industry of the future.

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