Strategies for a disrupted and disruptive world

BY **TAN ZHAI YUN**

Today, businesses are either disrupting or being disrupted. So, they should review their strategies to ensure success, said Crowe Growth Consulting Sdn Bhd managing director Michael Lim in his presentation, titled "Transformers: Myth or reality? Navigating through today's disruptions", at *The Edge*-Digi forum on Digital Transformation: Myths, Reality and Relevance.

Lim gave examples of companies that have been forced to innovate. The 178-year-old UK-based travel company Thomas Cook, which declared bankruptcy last month, is an example of a company that failed to keep up with the times.

"When the world went into online booking, this company had so many physical outlets. Consumer behaviour also changed. Nobody wants a packaged tour anymore. Everyone wants to go on a free-and-easy trip. They had a lot of money at one point and simply acquired companies without knowing whether these would assist them in their long-term strategy," he said.

Meanwhile, IBM, which was once called a dinosaur in the technology industry, transformed itself by selling some of its businesses and focusing on cloud computing services. Now, it is famous for Watson, its artificial intelligence-driven system that serves many enterprises.

For Microsoft, it was an issue of leadership. Former CEO Steve Ballmer was very aggressive, going all out to kill the competition in a variety of ways. "But in 2014, Satya Nadella came and he practised the concept of collaboration and building the market together with channel partners ... In January, Microsoft's market capitalisation hit US$1 trillion. Forward-thinking leadership has repositioned Microsoft," said Lim.

WHAT HAPPENS TO THE DISRUPTED AND DISRUPTORS?

There are three "Ds" that are the consequences of disruption: disintermediation, derailing and decoupling.

Disintermediation means the compression of the supply chain, where disruptors cut out the middleman. Derailing occurs when users are highly disenfranchised with the incumbents, said Lim.

"Many years ago, you may have cursed a taxi driver who did not want to take you where you wanted to go. You were disenfranchised. That is why companies such as Grab became very big. But if you go to South Korea, you will see that Uber does not work there because the taxis offer very good service," he added.

Decoupling refers to changing consumer behaviour. "For example, you used to have TV and satellite channels. But suddenly, you now have streaming services such as iflix and Netflix. These services decouple you from existing products," said Lim.

On the other hand, to successfully disrupt a market, companies must go through the ABC process — acceptance, bandwidth and breadth — followed by convenience. For the innovation to work, the timing must be right, he said. For instance, "Microsoft had NetMeeting [in 1996], but it was not the right time. Now, they have acquired Skype and everyone is using it. If you go in too early, you die early too."

There must also be the right culture and trust in the product. Gojek works in Indonesia due to the large number of motorcycles on the road. But it may not work in Malaysia, where cars dominate the roads, said Lim.

Bandwidth and breadth are relevant to tech companies that want to disrupt. The connectivity and speed of the internet are very important for these companies to succeed, he said.

Finally, the service offered must be seamless and convenient. "It must be a safe and sound option compared with the other available options and provide successful outcomes," said Lim.

HOW TO SUCCEED IN THIS MARKET?

Lim recommended that businesses review their resources and adopt strategies relevant to their situation. The four resources business owners should consider are their relationships, ideas, capital and entrepreneurship.

Companies that do not have capital but have ideas and relationships with active users can use the commercialisation strategy. "That means you have a great idea, you develop it and work with people in the ecosystem. Once you do it well, money will come looking for you," he said.

Meanwhile, companies that have capital but no entrepreneurship can become opportunity seekers. "An example is Alibaba Group Holding Ltd, which acquired Lazada. The cost of building an e-commerce website and acquiring users is high. But Alibaba has capital and e-commerce is something it does very well. So [instead of competing with Lazada in Southeast Asia], it acquired Lazada," said Lim.

Some companies need revitalisation. An example would be decades-old family businesses that have capital, relationships and entrepreneurship but have no ideas. In this case, they may have to look for people with ideas to join them. "That works for some companies because they may not see opportunities in their industry but see it in another," said Lim.

Finally, companies that have ideas and entrepreneurship but have no capital or relationships will have to hustle. These are entrepreneurs who have to pitch frequently.

Regardless, business owners should not be disruptive disruptors, but seek to be complementary collaborators, said Lim. "Look at what happened to WeWork. The CEO wanted valuations as good as Facebook's and then the CEO got removed. We need to understand that there is a whole ecosystem. You cannot fight it, but you can change it." ■