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Digital Disruption

Research Report

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# Abstract

This world is evolving at very fast rate when it comes to technology. At the moment technology is evolving faster than ever and companies are struggling to keep up with all the changes coming out. Digital disruption has a very big impact on todays businesses in all industries. Trying to always innovate and implement new technologies to a business can be expensive and not all business can do it. In this research report I discuss the main opinions people have on this topic and then analyze it to see what the best methods businesses should take and apply to their business. By researching, people keep bring up the topics of whether businesses should not respond to digital disruption, keep up with it or be innovative and cause the disruption. I tried to use the information I learned to come up with my opinions on the topics in the report to show what businesses can do to help their business survive.

**Keywords:** Digital disruption, Business, digital innovation, Disruption effect on business, Impact on business

# Introduction

## What is digital disruption

(Kumar, 2016)Digital disruption is about new technologies and business models that transform the value of existing products, goods and services that are offered in that industry. That is why the word ‘disruption’ is used because it changes how things are in the current market which makes the industries in the market need to re-evaluate. For something to be considered a digital disruption it must be digital. Example would be streaming shows online. The second part disruption means that it must in some way threaten your goal or the company’s goals. An example of this is how Netflix and other streaming platforms came in and completely changed the way people watch TV. Most people nowadays don’t even watch TV because you can stream your favorite shows any time you want and don’t need to always tune in at a specific time to watch and there are no commercials in between the shows.

## History

(Wikipedia, 2018)Before we jump in to digital disruption specifically, I will talk about the origins of this concept. The concept and term “disruptive innovation” was created by an American scholar named Clayton M. Christensen and his partners in 1995. This idea has been known as the “Most influential business idea of the 21st century”. Clayton created an article in 1995 called “Disruptive Technologies: Catching the Wave” which he wrote with Joseph Bower. In this article he talked about current technologies and explored cases at the time. He later made a sequel which was called “The Innovator’s Solution”. In this article he replaced the term “Disruptive Technology” with “Disruptive Innovation” because he says that the technology itself wasn’t causing the disruption, it was the business model that the technology allows to cause the disruptive impact. Disruptive innovation isn’t what we will be talking about because the meaning of it is quite different. Digital disruption, as I said before must be something digital and must be disruptive to the current market. Disruptive innovation is about an innovation that creates a new market and disrupts the current one. An example of this would be how CD’s and DVD’s replaced VHS and now you literally never see VHS anymore. These innovations are mainly created by entrepreneurs and outsiders, not existing leading companies. I bring this point up because digital disruption and disruptive innovation are two different things and some people get them confused with each other, so I wanted to make it a bit clearer what is what. There is also disruptive technology which is different from digital disruption and I will talk about that next.

## Disruptive Technology

(Kumar, 2016)Disruptive technology and digital disruption sound very similar to each other and people get them confused with each other, so I will try to explain the difference between them. Disruptive technology is new technological innovations that completely change the way people work. An example of this would be mobile phones. People use them every day nowadays for almost everything like making calls, texting, setting reminders, alarm clock, replying to email and so on. There is so many things a mobile phone can do now, it basically is a mini computer. As you can see disruptive technology could really be anything that disrupts a certain market involving technology, but digital disruption is only about digital products or services.

## The Problem with Digital Disruption

(Kane, 2017)Digital disruption is an issue because some companies in existing markets are struggling to adopt or adapt. The reason they are struggling is because of the people. People, organizations and policies respond to new things at different rates. Technology changes faster than people can adopt it, but people do adapt faster than organizations and organizations can adapt faster than legal and societal institutions can. Gerald says he refers to these gaps as adopting, adaption and adjusting. Adopting is about how fast can we make those new technologies part of our daily lives. Adaption is about how most people want to use the new technology and how the companies support the use of the new digital technology. Adjustment is about how the laws and regulations agree on the use of that technology in companies. The main problem isn’t the rate new technologies are coming out, it’s the challenge of how uneven the people, organizations and laws adapt to new technologies.

(Vermeulen, 2017)“Digital will disrupt your industry”. Freek says he doesn’t disagree with this and that you would be naïve to think it wouldn’t but there are a lot of people who say that digital disruption is explained poorly and usually misunderstood. In “normal businesses” the impact will be different compared to Google or Amazon. Freek says there are four to watch out for. The first one is “network effects”. A common misconception is that the winner takes all. This means that the more users you sign-up, the better your business model will work but it is not always true and there are a lot for network type markets that can easily sustain a lot of people. The second one is “complements are not substitutes”. People say most new technology will replace the old one and there are examples of this being true but Freek says the usually the new one complements the old one which creates a different dynamic in the market. The third one is “geography (still) matters”. In this part it basically says that even though there are so many technologies out there that allow us to communicate nothing beats face-to-face communication when talking with clients. The fourth one is “Speed? Not so fast”. Freek says that a lot of people say that because of the nature of digital era that change is fast and because of this, businesses must change fast too. Freek says this isn’t accurate and that through research he found out that the rate of change is not fast at all. He says that companies shouldn’t try to change their business so fast because you will likely run in to fads. He talks about an example where a company invested a lot of money in to a up and coming technology, but it ended up going no where and the people who invested their money lost a lot. Basically, people shouldn’t jump the gun and try to change straight away. Most businesses have different affects to digital technology.

## Digital disruption benefits

(Smith, 2018)As we move into 2018 just making your brand digital won’t make it relevant. To survive brands must disrupt says Jason. Companies that spent the last decade saving up their digital presence with digital experience platforms, user friendly digital workplace solution, smart social media strategies and eCommerce platforms, thrived. All these companies computerized all their customer data, stored their company assets with cloud and personalized their customer experience with all the data they had. All these companies transformed digitally. Jason asks the question whether this is enough in 2018? He says even though copying what your competitors do with their digital transformation policies will keep you in the race but that is all it will do. Whilst start ups are taking large slices with whichever industry the start in. Jason says Uber knew what consumers wanted with their digital experience and that consumers want brands to surprise them with new innovations. Brands that start using new devices and data can create a whole new wave of disruptive opportunities. Brands should start creating new digital innovations instead of doing the same things as everyone else. Laptops and smartphones are expected and isn’t progressive. Jason says for brands to innovate, they need to map out broader customer journeys to match the devices that are used today as well as tomorrow. Devices will continue to emerge its up to the company to decide whether they will disrupt or be disrupted.

(Sprau, 2018)In the current era we live in everything is dominated by technology and because of this, digitizing procedures and processes have become important. Nick says digital disruption provides businesses with new opportunities and how they can use it differently to enhance their business. Here are 3 benefits of digital disruption. The first benefit is “Creating and demonstrating value”. In this part Nick says that it pays off to be on the bandwagon of a new transformation instead of ignoring it. According to Nick business who keep using their old business models get pushed out by younger companies. Companies who use new digital technology usually see higher return on investment than those who continue to invest in legacy systems. The second benefit is “Reduced costs in the long run”. Even though the first initial benefit is expensive, the return in the long run is better. Investment in new technology can reduce operational costs and manage procedures and processes more efficiently. The third benefit is “Better utilize data and information”. The adoption of new technologies allows companies to do more with information than older systems. Even if its structure or unstructured, automated systems can help the company make data driven business decisions. Whether or not your business models have changed a lot, digital disruption offers opportunities that allows companies to look and information differently.

# Analysis and discussion

As we can see from our research, there are lots of opinions on digital disruption. Some people say companies should completely avoid digital disruption, others say we should try to keep up with digital transformation and not be behind and some people say companies should be the ones researching and trying to create the disruption themselves. All these claims are applicable to companies depending on your company’s situation. Some companies really don’t need to change with digital transformation depending on the situation, but others will find that they need to innovate to keep up or stay ahead. Businesses are finding it hard to deal with digital disruption because people are struggling to keep up with the constant changes and having to implement these new technologies to the business. Some people don’t think this is the case and that new innovations are actually not coming out faster, it’s just that it takes a while to adapt to the new technologies. To really be successful in your industry you have be the one creating the disruption otherwise you will be like every other company who just copies the leading businesses but if you don’t do anything your business will likely fail.

## Not changing with disruption

As I said before there are multiple people saying that you don’t need to change at all for disruptions and this is true especially if its not in your industry. (Grossman, 2016) One of the lowest impacts digital disruption has on industries is in the industrial industry. This does make sense since they are not as involved with digital technologies as other industries, but this does not mean that they are completely immune. They are affected but not in a drastic way. Businesses still need to change though, so saying you don’t or you shouldn’t change is bad and every business should be trying to innovate or at the least try to keep up. Trying to completely avoid disruption will most likely turn out bad for the company. (Satell, 2014)A great example of this is how blockbuster went bankrupt after Netflix offered to show their brand online, Blockbuster rejected their offer and eventually went bankrupt. Netflix is now a top steaming service all around the world.

## Keeping up with the disruption

It seems the safest and maybe the best thing for companies to do is to just keep up with the disruptions and try to make use of it in their own business. Companies must prepare and plan out strategies and be flexible so digital disruption can be easily dealt with instead of completely ruining the company. Here are some of the things companies do to try and mitigate the affects of digital disruption. (Addis, 2017)Having a digital strategy which is having short, medium or long-term goals for a business. The second thing companies can do is to make new or optimized business models to be able to execute the digital strategy. The third thing is that companies can do is to have a digital mindset by changing the culture and behavior in the business by using transparency of expectations and outcomes. These are some of the things companies can do but there are a ton more and digital disruption affect businesses differently, so businesses should always keep that in mind. A good amount of companies usually is within this section when it comes to digital disruption, but some try to either do it better or try making it their own in some way to suit all consumers. Examples of companies using this method is a lot of mobile phone companies and laptop companies such as OnePlus, Huawei or Lenovo. These companies usually don’t make anything new, but they try to improve on what already exists out there. When it comes to digital products the news seems to be following this method and is starting to move their products to be digital.

## Creating the disruption

Trying to create the disruption is a high risk high reward type of deal from what it seems. If you try to innovate and release the digital technology, it could go really well and pay off big but if it fails you lose a ton of money. To be successful you really need to know what the mass consumers want in their daily lives. This can be tricky because a good amount of people don’t want change. They like the way things are now so why bother changing it, so companies really must look at the big picture and figure out new innovations and make sure they are doing things differently and making consumers happy at the same time. Leading companies in industries are at risk of being disrupted by new digital innovations but they usually are the ones creating new innovations but because of this, leading companies must always test new things and majority of them fail, this is why new things come out incrementally instead of in one big package. Companies who are always innovate are Amazon and Apple. They always test out new things and try to come up with new ideas to improve their company, but they can only do this because they are well established companies that earn a lot of money.

Judging from the research and what I have read the safest thing for most companies is to just ride along with the disruption and just keep up with it. There is a huge risk in trying to innovate and doing nothing will really send your business down the drain. Innovation is for leading companies or new companies who are trying to get into the industry with impact. Doing nothing is if it literally has no effect on your company but more often this is untrue. These are not all the possible things that companies should do. As I said before every company has a different situation and the company itself should find their own way of doing what is best for their company. These are some of the main topics that that I have found on digital disruption that are covered in a lot of articles and case studies. There is a lot of information out there on what you can do and what you shouldn’t.

# Conclusion

In this research essay we covered the topic of digital disruption. We tried to learn through a literature review what digital disruption is about and try to get a good understanding of it. In this part we learned that digital disruption has an effect on every company and that if the proper steps aren’t taken, your business could end up failing. Some of the articles stated that it is important for businesses to start digitalizing everything in the company that can be digitized. There is a lot of talk about how businesses only get effected by digital disruption is because people and companies are too slow to adapt. A lot of articles ended up talking about how businesses should either not respond to digital disruption, try to keep up with digital disruption or try to create the disruption through new innovations. In the analysis and discussion, we talked more on these topics to see why so many people are talking about this. Through research we found out that keeping up with digital disruption is most likely the best solution for most businesses who want to stay in business. The other two options would be chosen depending on the situation on the business, but these aren’t the only options businesses have. Digital disruption is and interesting topic because a lot of these things have been talked about for years and still people don’t have answers to every question and we can expect this to continue and hopefully see how the digital world changes with businesses and people. That is my research report on digital disruption.

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