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**MSc Management**  
**Leading through Digital Disruption**  
**Report on Adidas**

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## 1.0 Introduction

The report will discuss the concept of leading through digital disruption, within the chosen company of Adidas. As a globally active manufacturer and seller of sports apparel and other related items, Adidas will have to uniquely integrate digital technologies and disruption within its operations to achieve a higher level of disruptive performance. The report will delve into this in the first section, where the company's relevant details are discussed. This also includes an assessment of the areas of operations affected due to digital disruption. Following this, the report identifies the key opportunities available for succeeding in creating digital disruption. The next section after this discusses the data and decision process, where the development of technologies for digital business performance is outlined. The creation of a digital-ready culture within the organisation is considered after this, as cultural practices must support the development of digital transformation. Lastly, the report discusses two leadership styles suitable for leading this digital disruption at Adidas.

## 2.0 Change Analysis Proposal

The report will now discuss the background of the company to define its key characteristics, such as size and operations. This allows the change analysis proposal to be developed in a more grounded and realistic capacity. Adidas is one of the leading global companies that sells sportswear, apparel and accessories for playing sports such as basketballs, shoes and armbands (Walters, 2021). These products are uniformly associated with the fitness and athletic lifestyle that is promoted by the brand. The wide range of products allows Adidas to target different consumer segments globally. Casual fitness enthusiasts can opt for running shoes and apparel that support their fitness lifestyles, whereas more dedicated athletes can opt for a wide range of products such as headbands, armbands and special shoes designed for athletic activities (Walters, 2021). More uniformly, Adidas also sells equipment for playing diverse sports such as cricket, football, basketball and golf. This also aligns with its inclusive customer targeting, since different age groups play different sports like golf among older individuals (Stenner, Mosewich and Buckley, 2019). The scope of operations is fulfilled by the company's 62,000-strong workforce and a global footprint of 160 countries (S&P Global, 2021). While manufacturing is largely outsourced, Adidas also retails manufacturing activities within its integrated supply chain

network (Ross, 2020). The product design and conceptual development are performed in-house by the company's research and development department.

The digital disruption at Adidas has been caused by factors affecting its operations in a competitive capacity. Organisational competitiveness is derived from the alignment of value propositions with the expected values and needs of the consumers. The development of digital disruption, therefore, redefines this concept of value as digital development creates different areas of competitive outcomes (Piepponen et al., 2022).

Firstly, the digitisation of sales channels has resulted in the growth of e-commerce platforms for selling goods and services digitally (Salpini, 2021). This has also affected Adidas as it responded by investing more actively within its internal capabilities of the B2C model. Adidas would largely rely on selling its products through retail stores owned by the company or partner stores, and the growth of e-commerce has necessitated this adaptation at Adidas to maintain its competitive value proposition (Salpini, 2021). Direct sales through e-commerce platforms reduce the cost of the product as the number of middlemen in the retail chain is reduced to the company selling directly to the end-user. Therefore, the cost savings acquired from this development gets transferred to the customer in the form of lower prices, creating a competitive scope for maximising customer engagement through the optimisation of sales channels for lower final prices.

Secondly, digital disruption has also changed how supply chain networks function. There are more opportunities for using supply chain systems in a strategic manner that drives competitive business performance. For instance, the transparency and real-time responsiveness of supply chain systems is achieved by digitising them through blockchain tracing (Gaur and Gaiha, 2020). The integration of artificial intelligence (AI) systems in this increases the efficiency and resiliency of supply chain systems, as AI can create predictive patterns for optimising supply routes and predictions of bottlenecks (Subramaniyan et al., 2021). Therefore, large companies like Adidas must maximise their supply chain digitisation to ensure their competitive market position is sustained.

Thirdly, the integration of digital technologies in the conceptual or product design state reduces waste from conducting prototype trials. Product design has been enhanced through digital technologies, allowing for realistic renders and interpretations of materials needed for real-world manufacturing (Castro Pena et al., 2021). Therefore, the scope for designing new products with

innovations such as 100% sustainable apparel items creates a challenge for Adidas. Companies with the highest digital integration here will have a competitive edge in research and development, resulting in disruptive market growth for the firm.

These findings present an opportunity for competitive performance at Adidas by aligning digital transformation opportunities with existing strategies. The present business strategy of Adidas is concentrated on digitising its e-commerce performance by doubling the revenue from online sales by 2025 (Salpini, 2021). The strategy also intends to create higher profit margins and sustainability caused by the optimisation of business processes with digital technology. Therefore the report will consider this in developing the data and decision process technologies for Adidas below.

### **3.0 Data and Decision Process**

#### **2 Industry 4.0**

The framework of Industry 4.0 is defined by the characterisation of nine pillars of technology, which represent the total technologies that have commercial value to businesses (Suleiman et al., 2022). The development of these technologies, such as AI, robotics, automated manufacturing systems and big data analytics has resulted in increasing integration of these technologies in existing companies (Suleiman et al., 2022). Adidas also uses these technologies in different capacities, such as using Findmine's AI systems to generate automatic recommendations for consumers based on their purchase history and other indicators of differential consumer behaviour (Berthiaume, 2019). There are also instances of shortcomings at Adidas when it comes to integrating automated manufacturing in its operations; the company had previously launched 'Speedfactories' where production was fully automated without any outsourcing needed (Porter, 2019). These 'Speedfactories' were closed as they were too expensive to maintain in terms of the value they generated for the organisation (Porter, 2019). Therefore, a selected approach to digital technology integration will be most suitable for Adidas. Market awareness is created when firms employ digital technologies that are predictive of likely patterns based on historical precedence, which is achieved through AI-driven analysis (Verhoef et al., 2021). A tighter integration of internal divisions and the global workforce will ensure that market awareness is heightened. This is because the digital integration of the company's internal structure will be responsive to any developments that occur, allowing for instant communication of the same (Verhoef et al., 2021).

Market responsiveness will ensure that Adidas can make quick decisions based on any sudden developments that require immediate attention.

### **Digital Business Agility**

As a digital system, Adidas can use the Digital Business Agility framework to make fast decisions and adapt resourcefully to market changes (IMD, 2016). This framework comprises three different areas of hyperawareness, which leads to making informed decisions that can be executed with speed (IMD, 2016). Hyperawareness as a quality of situational awareness of market behaviour and trends can be achieved by integrating the <sup>3</sup> Industry 4.0 technologies of big data analytics, AI and systems integration (Jelusic et al., 2022). This will ensure that AI-generated patterns can be used to prepare for any predictive disruptions such as natural disasters or route bottlenecking. Data analytics will reveal objective information from different areas of analysis, which will lead towards making more informed decisions regarding strategy (Fanelli et al., 2022). This will ensure Adidas makes the correct decisions that will reflect the outcome determined through objective analysis of data. Making these decisions quickly will require vertical and horizontal integration with its stakeholders, where collaboration and knowledge-sharing will empower the company's stakeholders to respond quickly to the decisions made towards digital disruption (Prebanić and Vukomanović, 2021).

By using digital business agility with Industry 4.0 technologies, Adidas will improve its efficiency, market responsiveness, risk resilience and quality of production and sales capabilities. These benefits will add incrementally to the total value proposition it offers to its customers, thereby achieving the benefits of digital disruption. The report will now discuss the development of digital culture at Adidas, as organisational culture is a determinant in the success of digital transformation at firms.

## **4.0 Implementing the Digital Culture**

The implementation of the digital culture will involve attending to different areas of importance for making flexible changes to the organisational culture. For Adidas, the report will draw from the 'Think with Google' concept of ideal qualities associated with <sup>1</sup> a digital-ready organisational culture.

### **Putting customers first**



Digital culture must be customer-centric to maximise the proactive capabilities of digital technology in adding to the company's value proposition through its goods and services (Deloitte, 2019). A customer-centric culture will proactively intend to find solutions for mitigating the potential pain points of customers related to digital interaction with the company (Deloitte, 2019). For instance, the e-commerce platform can be developed with a more intuitive website interface to make it accessible to consumers who are not used to shopping virtually. These initiatives across the scope of the organisation's departments will ensure the functions of Adidas will satisfy customers more holistically.

#### **Creating a collaborative culture**

A collaborative culture will maximise inter-departmental functioning through digital technology. For instance, customer relationship management can become more effective when collaborating with sales and marketing to share data and findings on customer feedback. This collaborative performance is also important as it will ensure communication and transparency are maintained across all departments of the organisation. This preemptively ensures no departmental silos develop, as silo culture creates isolated behaviour within the company's departments that are antithetical to collaboration (Cromity and de Stricker, 2011).

#### **Instilling a culture of innovation**

A culture of innovation develops from openness, transparency and knowledge sharing among the workforce. These qualities also indicate the characteristics of a learning organisation, where the firm continually grows and develops through knowledge sharing and learning (Migdadi, 2019). These qualities are positively associated with innovation development at companies (Migdadi, 2019). Adidas can integrate these as well as promote a culture that tolerates failures, as new product development requires tolerating failures and learning from mistakes to make improvements (Tian and Wang, 2011).

#### **Becoming a digital-champion**

Adidas can create a team of digital champions or individuals with high proficiency in digital technology. These champions can mentor, train and engage in the development of the workforce to collectively upskill them in using digital technologies for job roles. This will allow the workforce to become skilled enough to use advanced digital technologies and prevent burnout through 'technostress' from occurring (Nisafani, Kiely and Mahony, 2020). Therefore, digital culture will be satisfactorily prepared by following these recommendations.



## 5.0 Collaborative Team Leadership

### Ethical-tech leadership

For leading a digital organisation capable of disruptive market performance, it will be helpful to lead through a leader with ethical values regarding the use of digital technology. This is necessary for leaders of digitally integrated organisations, as the use of digital technologies requires gathering data from stakeholders including customers. This can violate their rights to digital security and safety as well as intrude on their privacy. This is codified in <sup>5</sup>the General Data Protection Act (GDPR) present in the EU, which applies to Adidas as it is registered in Germany (Quach et al., 2022). An ethical-tech-oriented leader will ensure the principles of GDPR are followed in using digital technologies as a strategy, such as maintaining fairness and transparency in gathering data from customers. This ensures integrity and confidentiality are maintained while using digital technologies to mine data from information given by customers, as well as data gathered from other sources (Garber, 2018).

### People-oriented leadership

People-oriented leadership is also suitable to create a collaborative performance using digital technology. People-oriented behaviour in leaders indicates their proficiency in using soft skills of communication to engage with people more successfully (Rao, 2014). It also develops an empathetic response in leadership where the leader is supportive of the company's adoption of digital technologies (Sousa and Rocha, 2019). This quality resonates with the concept of Emotional Intelligence (EI) which indicates leaders that are more successful in leading firms through organisational change scenarios such as digital transformation (Fernández-Abascal and Martín-Díaz, 2019). The report has indicated that employees may experience 'technostress' in adapting to digital technologies for work (Nisafani, Kiely and Mahony, 2020). This can result in their demotivation due to self-esteem issues at being unable to adapt to a digital workplace environment (Singh et al., 2022). In turn, this can lead to different negative outcomes such as depression or resignation, which will impede the collective morale and performance of the workforce teams (Singh et al., 2022). Therefore a leader who can manage people with empathy and direct them through support towards digital transformation will be suitable for creating a digital-ready culture at Adidas.

## **6.0 Conclusion**

The report has discussed the scope of digital transformation for disruptive performance at Adidas. The discussion considered the present frameworks for digital technologies such as Industry 4.0 and Digital Business Agility, as this creates a grounded discussion on the potential use of technologies for creating practical results. The value proposition understood from the competitive behaviour of the organisation was aligned with the concept of digital disruption. Therefore the report recommended integrating digital technologies with cultural qualities such as customer-centric values among the employees. Achieving these outcomes will position Adidas to grow beyond its 'Own the Game' strategy and become capable of creating digital disruption through its internal systems.

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