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How Digital Transformation is supporting Business Model Innovation for UK Business

By Ian Taylor, **BetterCloud Services**.

The dramatic rise in the positioning of Digital Transformation and 'Digitalisation' over the past few years will not have escaped your attention.

Such bright young things as **Cloud**, the **Internet of Things (IoT)** and **Artificial Intelligence (AI)** have been entering the conversation more and more across many Public and Private Sector organisations.

One such key driver of this evolutionary promise centres around the opportunity a 'hyperconnected state' (a constant connection of people, systems and devices) creates for more seamless and intelligent process automation, clearly designed with the desired business outcome of vastly reduced operating costs, a better customer experience (to maximise loyalty, account retention and revenues), and increased competitive standing.

Perhaps the UK Service and Manufacturing industries are two of the best examples of where UK business is taking advantage of aspects of digital transformation in order to reduce costs, improve customer satisfaction and create new business models based on the inherent value of information. Various forward thinking enterprises are beginning to imagine these real-world benefits in many areas, for example, behavioural-based insurance, predictive maintenance, smart metering and telemedicine.

Forecasts around IoT connected devices are projected to be in the billions not millions within a few years, all generating unthinkable amounts of data, and all of these use cases will need to be driven by analysing terabytes to petabytes of data collected from data sensors and Machine to Machine (M2M) communications.

So what does this mean right now in terms of widescale opportunity for UK Business to utilise modern technologies to compete more effectively in their respective markets?

With the ability to measure business outcomes inside an established agile framework, the belief emerging from UK business is that digitalisation can play a significant role in their strategic aspirations and deliver more flexible business model operations which may be necessary for the future. However, in order to truly grasp success, organisations must set out early with the right intentions, and they must be armed with a ferocious self-awareness of both their genuine strengths and also transparent weaknesses.

In order to gain the right mindset to review how digital transformation may support business model innovation across your business, I would like to encourage you to ask yourself the following 3 questions.

- 1. How vulnerable is your own current business model today?**
- 2. How different would your business model look with a clean sheet of paper?**
- 3. Are you shaping the technology trend within your industry or following it?**

The following sections go on to define the different types of business model innovation and in closing this introductory area of the paper, I leave you with a profound statement from Mr Rupert Murdoch, which, to my mind, sums up perfectly the task in hand for many of today's organisations. Happy Innovating.

"Big will not beat small any longer, it will be the fast beating the slow. "



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Business Model Innovation

Types of Innovation

There are in general three defined categories of business innovation for those organisations looking to deliver innovative change. These three areas are highlighted in the below diagram and separated as **business model**, **products and services** and **operational innovation**.



A recently commissioned ICT survey indicated that 65% of CEO's from FORTUNE 500 companies surveyed suggested that they will need to make significant changes to their business models inside the next 18-36 months.

Whilst the focus for Product and Services development continues, business leaders are placing an increasing emphasis on strategic change through the innovation of their Business Models, exploring strategic alliances and partnerships through collaboration across their ecosystems.

Statistics confirm that those companies with superior financial performance are pursuing this type of innovation today.

Mass Collaboration

Where business model innovation truly accelerates the opportunity for positive change is around its use of collaboration, whether internally across company employees or indeed wider afield through an ecosystem of partners.

One high profile but simple example of a successful business model innovator can be seen through Apple. The continual development and popularity of their products are partially sustained through a myriad of software programmers outside of the Corporation's employ, pioneering the marketplace around mobile applications for many years, and all at minimal cost and tremendous revenues (and great customer loyalty) for the Apple Corporation.

Other great examples include Linux, Boeing, Microsoft, BMW and John Deere.

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John Deere is actually another tremendously good example. Digital technologies are helping accelerate this firm, once only famous for manufacturing tractors, into a major agricultural powerhouse in 2017 as the company uses big data to optimise machine use, machine-to-machine communications, farming logistics and decision making on a wide scale, right now.

How John Deere is leveraging digital transformation under an umbrella of software, devices and services, truly captures the true essence of effective change for an organisation.

The agility with which these organisations can develop and bring new products to market has a devastating impact on the markets they lead and is one more example of how some forward thinking companies are using technology today to outperform their peers.

Another interesting innovation can be realised through the interaction across mass collaboration, where the consumer (at scale) is actively shaping the onward development of products and services for the future.

We are all aware of the age old saying that the consumer or customer is king, but today technology allows us to truly monitor the our buyers feedback and buying patterns, collectively process these and act upon them.

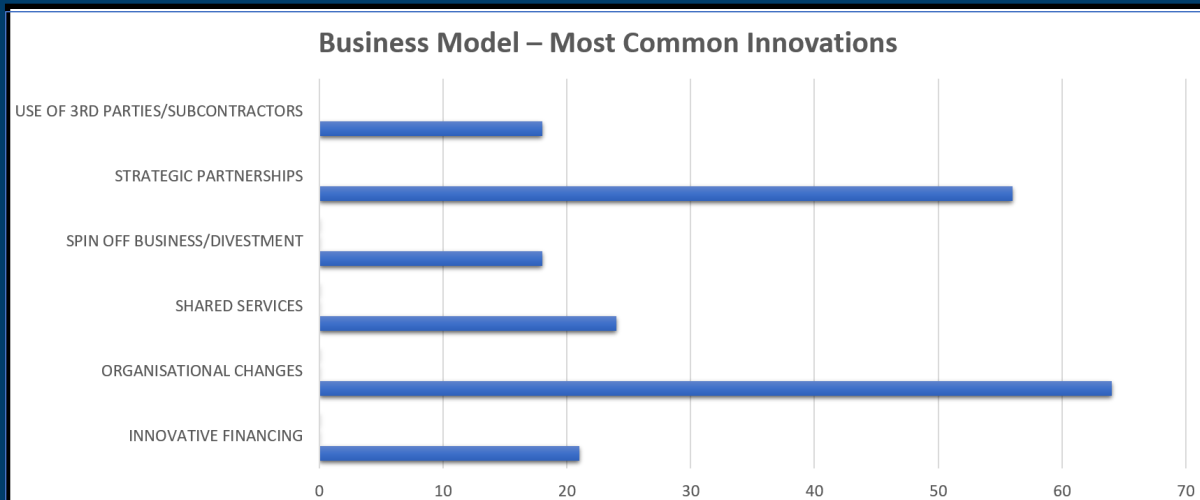
One very good example here is the Microsoft Windows 7 campaign of 2009/2010, where the customer forums and general feedback was taken onboard under the worldwide advertising banner “I’m a PC and Windows 7 was my idea.”

Common types of Business Model Innovation

Whilst there are many varying types of BMI, the most common areas tend to be predominantly successful around the development of strategic partnerships (supplier ecosystems) and key organisational changes (such as flexible working programmes to drive business agility and responsiveness).

Whilst modern technology can be positioned in support of ongoing strategic change it is vital that these phases across which change is affected can be co-ordinated in a practical and timely manner to minimise the exposure to risk in any and all areas of change.

The diagram below analyses some of the most common areas where ICT today is lending effective support for BMI (respondents were asked to rate the top 3 benefits)



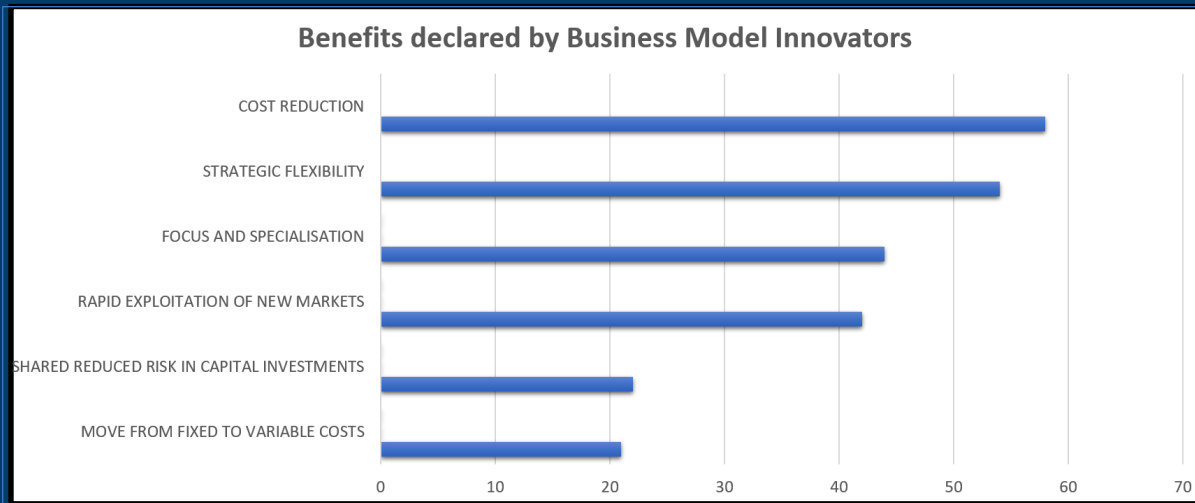


Main Benefits from Business Model Innovation

Of the more immediate and measurable benefits highlighted throughout the survey, cost reduction and renewed strategic flexibility ranked extremely highly as declared by the of CEO"s interviewed.

Allowing the business to specialise in its core areas of operation (deploying more standardised areas to the supporting ecosystem) and creating a more agile environment where they can quickly bring new products to market also ranked highly.

The below diagram confirms the key areas of visible benefits around overall business agility, lower costs and the increased opportunity for revenue generation (respondents were asked to list their top 3 benefits).



For further discussion on this topic please contact ian.taylor@bettercloudservices.com

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