

WAKE UP OR DIE SLEEPING!

by Dirk Liebich

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[Abstract:]

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Why enterprises need to develop digital awareness if they want to survive

Interview with Dirk Liebich, Germany's leading expert on Digital Transformation

“Businesses need a complete transformation if they want to stick around over the next few years,” says Dirk Liebich, a thought leader of digital change in Europe and Asia. His concept of “digital awareness” is a more comprehensive alternative to the currently much-discussed principle of Digital Darwinism. In this in-depth interview, Liebich outlines his theory and offers practical approaches for implementing the transformation he deems vital for businesses. He gives a detailed explanation for the fundamental change in consumer behavior and explains what businesses can and should do to respond to this change fast and effectively. Liebich, an experienced consultant, describes how product development and marketing mechanisms have changed. In defining his overarching concept of digital awareness, he distinguishes it from commonly used terms like collective intelligence, crowdsourcing, and crowdfunding. Liebich concludes the interview by demonstrating how business can develop a vision for the future that secures not only their survival but also sustained growth in a world of continuous technological transformation.



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Read on for the complete interview.

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Why enterprises need to develop digital awareness if they want to survive

Interview with Dirk Liebich, founder and managing director, Digital Tempus

You assert that businesses will only survive the breathtaking changes we are currently experiencing if they develop what you call a “digital awareness”. What exactly do you mean by that?

I use the term “digital awareness” to describe a change in attitudes that has taken root over the past few years. You could also call it “electrified collective awareness”: the ability of people to form networks and reflect things almost synchronously, in a positive way. New insights on one side of the network automatically become knowledge components on the

other side. The individual members of these networks need to work less to acquire more knowledge. Users can grasp complex problems quickly and with minimal effort.

Everyone can make informed decisions without extensive prior research. These decisions are based on references that don't require the individual user to establish long-term relationships. This construct is highly beneficial for the consumer. For the most part, it is the result of strong interconnections through social networks and self-referencing structures. In the past, companies would send out messages as one-way communications. All the consumer could do was decide whether or not the message mattered to him. Today, businesses find themselves facing this close network of consumer references, uncertain of how to address and deal with it.

Great advertising isn't what makes people buy products anymore. People buy products because the collective has provided positive feedback – feedback that is given extremely fast and not necessarily based on prior knowledge or experience of the product.

How exactly does this mechanism function?

I'm interested in a product, I ask the collective about it, and the collective responds fairly quickly, sharing individual experiences. Based on this feedback, I take the next step and say: "Yeah, that's just what I want." And only then do I look into the actual product or even the manufacturer. This is what we mean when we talk about the "zero moment of truth": the consumer decides on a product before he even puts his hands on it or sees it advertised – not in the first moment of contact, as it were, but earlier, in the zero moment. The decision to buy is made earlier, and the whole mechanism on both sides has undergone a fundamental change. Businesses need to adapt to this change.

In a nutshell: digital awareness is a collective awareness born of the increased human desire to share experiences and knowledge. It uses the opportunities of modern technology, but the technology itself is only a means to an end.

What distinguishes digital awareness from collective intelligence or crowdsourcing?

Collective intelligence as I understand it only means that the whole is greater than the sum of its parts. According to scientists, groups exceeding a certain size develop dynamics beyond the control of any individual group member. This means that there is no dedicated leader who could dictate: "now we fly a little to the right" or "there's food here, let's stop". Instead, the group as a collective decides on the direction and all other actions. There is still no clear

evidence as to how this functions, but scientists have witnessed many instances of this mechanism at work in the animal kingdom. A construct of many individuals is driven towards a decision by external influences, and every single individual acts according to that decision.

One basic principle is that each group member tries to maintain a position at a certain distance from all the other members. She aligns her comfort zone and position with the collective so that she feels she has just the right amount of information input and output. He finds his sweet spot where he feels comfortable.

Humans are social animals. To a fairly large degree, we live in collectives. I believe that our drive to find and maintain that sweet spot makes us move with the collective.

And how is digital awareness different from crowdsourcing?

Traditionally, you needed to take an established path toward sourcing and raising money, a path that most individuals didn't entirely comprehend. Similarly to what happened in advertising, someone had created a mechanism that in some special areas worked just fine, but brought mostly one-sided benefits, e.g. to investors. For the one who actually needed the funds, the whole mechanism was first and foremost a gigantic hurdle. Getting from an initial idea to the funds I need to make that idea reality requires a very steep learning curve. And this is where digital awareness and social networking come in: now, I can develop my idea. From my sweet spot within my current collective, I can raise questions and initiate discussions on a level that is entirely my own.

I can also make my ideas public within the collective, and usually the collective will respond with acceptance or at least a willingness to consider my idea. Next, I announce what funds I need to realize my project. The collective evaluates my idea. It offers feedback. That's what crowdsourcing is. Ideally, the collective will provide the necessary funds. That would be crowdfunding.

However, the collective is also involved in the thought process. It is not a one-way thing. It used to be one-dimensional, but today all these mechanisms are bidirectional. Projects are successful if they benefit both sides. We used to talk about win-win situations in the past, but real mutually beneficial projects were few and far between. The new mechanisms seem to produce them more often, although we shouldn't let all the euphoria blur our perspective on reality.

What are the consequences for businesses? Does all this mean that we have moved beyond addressing individual persons and must now only focus on the collective?

No. I still believe that individuals are extremely important. The whole mechanism is still shaped significantly by individuals. But I think that egotism, that very essential human trait, has become a little less central. Nowadays, people are less likely to want to climb on a pedestal and be admired by everyone else. On the contrary, everybody tries to fit in more. The connections and links get established bilaterally. If you want to distinguish yourself within the collective, you are more successful if you provide content *for* the collective. People can't rely on a certain social status anymore, they aren't special because they're royalty or in some other elevated position. They don't shine because it's their birthright, but because the collective lets them shine. It's the classic concept of *primus inter pares* – first among equals. This may not always be the case, but more and more often it is. In a positive way that is exactly what characterizes the structures within social networks.

So far we have talked about social networks and collectives. But what precisely does all this mean for business consultancy and your work with businesses?

That depends on your position and responsibilities within a business. Businesses need to realize that social networks are more than just a huge group of people hitting a "Like" button somewhere. From the moment these people click that button, there is a dynamic in place that will take a certain shape. Businesses need to become aware of this. Even at this initial stage, we have an evaluation of a company, brand, or product.

For the planners this means that they have to take such responses as information that should impact certain considerations, e.g. "How successfully can I establish product A on the market within a given time period and what quantity of that product will I be able to sell?" Ideally, businesses also address negative feedback from social networks, asking themselves what caused the negative response, what mistakes were made, how this dissonance came about.

For the business as a whole it means that they need to develop sensors that reach into all these areas and connect with all the planning mechanisms the business has created and established. This is the only way companies today can deal with the market. If they turn a blind eye to the social networks, they truly are blind and deaf and will miss essential information that is vital to the planning process. Ultimately, the feedback and information coming from social networks is nothing but a very early demand-planning signal.

However, you are not a social media consultant ...

If you look at it from a higher level of abstraction, social media are just another signal source. Businesses need to evaluate this source in order to gain more clarity on how to secure sustainable growth. In essence, businesses need to ask themselves: how can we continue to grow? How do we secure our ongoing market success?

They may decide to follow one or more strategic principles. Maybe they develop new products. They may optimize their production to become more efficient and increase their margin. They may of course also acquire other companies to expand their business activities. There's a wide range of strategic approaches.

Social media are one factor in these strategic deliberations. You could say that they amplify or enhance the market signals that businesses receive. It's like a magnifying glass through which to view your market performance. A large, representative market sends back a statistically relevant signal that tells you how the market responds to different aspects of your product. Businesses who fail to receive that signal deny themselves the opportunity to actively respond to feedback.

But doesn't digital awareness comprise more than just social networks?

Indeed, there is much more at stake here. We have reached the point where we collect significantly more data than we can ever hope to process. In many cases businesses just don't have the necessary technology to efficiently evaluate existing data. They lack the systems needed to integrate the data into their planning processes. And very often they fail to acknowledge the absolute necessity of considering more than one perspective.

Yet this kind of differentiated approach, this awareness of multiple perspectives, is essential for developing digital awareness. Businesses can't just go on saying: "We've established our planning system A, we connect that with another planning system B and just keep connecting a number of processes we've been using for the past couple of decades."

From where I stand, that is an outdated, albeit still fairly common attitude. So you see that it is not just about taking in this new information that comes from social networks and other sources. Far from it. We also need to think hard about ways to expand our existing processes so that they can integrate these new insights. We need to visibly integrate the insights into our business planning processes. First and foremost, this means that organizations need to change the perspectives of those members who are explicitly or implicitly in charge of these

processes. These people need to understand that the perspective they may have developed over many years is outdated. That the world has changed. A lot. You need to widen people's horizons. The management needs to develop a new vision that integrates and supports this new perspective.

What does such a vision refer to?

That vision refers to the fundamental changes the business needs to implement and the way it will grow into the future. If there is a certain level of clarity on this, the business needs to decide which changes will be implemented in which areas. The next step consists in adapting existing processes to ensure that current and future developments are consistent and traceable. The only way to do this is through the people who are involved in the process. Because consistency is what processes are ultimately about. A process connects procedures and people, helping them maintain a certain level of quality in all they do. But the principal focus is always on humans.

Could you give us an example of such a change process?

You only need to look back 20 to 25 years. Back then, a company would manufacture their product X following an established process that was basically a combination of several components and steps. And when they had their end product, they would say, well, we have a nice end product here. We're sure someone will buy it. And that worked, at least in so far as they would sell a certain amount of product X.

So the perspective was that of the manufacturer who thought about how to get a product to the consumer and how to increase the number of buyers. It's what we call the supply chain approach. You had your value-added chain, starting with the combination of materials and work steps and ending with the completion of the product. Only then would you try to tap a large consumer base through advertising.

And that approach has been turned on its head?

Exactly. The main change that has occurred over the past years is that we've stopped thinking backwards from end to start. Today we look at the consumer first. We try to meet him where he is. This, again, is where the social networks come in. Someone may post in her network: "I keep getting extremely hot and sweaty during my workout. I hate that! Any suggestions what might help?" What we see here is the consumers addressing concrete scenarios and asking concrete, contextual questions in their networks.

The collective awareness reflects back, developing suggestions for the issue in question. In our example, they may suggest certain outfits. A few steps further, they may discuss products on the market. A need generates a request. At some point, this request reaches the company and becomes part of what is traditionally known as “demand planning”. All of a sudden, sales people at the forefront have to deal with this surge in demand they see appearing on the horizon. They pass it on to the company. So ultimately, we have a wave that starts at the very front, with the consumer, and it moves on through to manufacturing. Manufacturing then has to think about where to get the material required to satisfy the demand. This is basically the change that has taken place over many years. These are exactly the mechanisms that are currently in transformation.

Why do businesses need your consultancy services during this transformation?

Because on the one hand, we have a deep understanding of the traditional model. We know in detail the way businesses used to work: how they created products according to certain processes and how they placed them on the market. And we also know the other side. We understand how individual needs generate collective requests and demand. We know the mechanisms through which demand is qualified. We understand how social networks function.

But not only do we understand the mechanisms and where businesses need to change to adapt. We also understand the process components. This is essential. We understand that you need a certain level of technology to address and solve these issues.

When you say technology, what does that include?

If we talk about the business side, technology means primarily the ability to collect, evaluate, and combine large quantities of enhanced data. It's not enough to just collect data. You need to start out by asking yourself: how can I generate viable information from these data?

You need to differentiate and decide even at this early point which of these data you can transform into information. Because the total data volume is much too large, and it's very likely that you don't have the capacity required to process it all.

Without a thorough understanding of the processes in different industries and the greater mechanism behind it all, you won't get to the point where a mass of data can be turned into business-oriented information units. You need to combine two different elements:

technological know-how and an in-depth understanding of the business. If you have both, you can make an informed decision on which data to include and which to omit.

Why can't businesses just keep doing what they've done so far – after all, they've been successful?

Businesses really need to start developing an understanding of the fundamental change we're experiencing. Each and every business needs to see that this is something that won't just pass them by. They need to acknowledge the need to deal with this change – the earlier, the better. This is true for every country and every business, regardless of size and industry. Once a company decides that yes, they need to tackle that transformation, they have to establish this objective within the organization. And that might mean that they'll have to fight against possibly very rigid structures.

Over the past years, many businesses have followed a strong outsourcing strategy or have subdivided into numerous departments. Consequently, we now have companies that consist of many different little boxes. Very often, the interfaces between all these boxes only allow for very basic communications. Take IT and sales, for example: usually there's no interdisciplinary cooperation. This is mostly due to the fact that the IT people, whose tasks and approach are vertical, have no contact with what the sales people do, which is often highly differentiated.

Is there any way to close that chasm?

The first thing you need to do now is to try and put together a team whose members represent both sides and are also able to communicate. This is where it gets difficult. It requires leadership with a vision. It requires visionaries or multipliers who get people excited and bring them together. It requires people from all areas and departments who are open-minded enough to want to start something new, yet pragmatic enough to actually make things happen. The objective should be to establish a procedural framework that allows for mistakes so that you can create, evaluate, discard or optimize within that framework.

You need to understand that such a transformation takes longer than an IT project or introducing a new software product. It will be more than a couple of years before it really takes hold. Until then, you have to support it with your own mechanisms. During that time, all stakeholders and the organization as a whole learn from their own transformation process. It's a perfect illustration of the old Confucius saying: "Roads were made for journeys not destinations."

You need to realize from the start that there'll be things you do poorly – and that this is perfectly fine. The consensus should be: we're not searching for the ideal here. We're looking for a good, viable, pragmatic way of doing things. It has to work for us. On the one hand, that may mean that we have to cut our margin. But we'll compensate by excelling in other areas.

The great challenge for businesses consists in establishing the structures necessary to transform themselves. They need to be willing to actively pursue a transformation, they need to be willing to allow for mistakes and to deal with them constructively. If they succeed in establishing this attitude, they will change the awareness of the organization. Which brings us back to the issue of awareness. This awareness must be a collective attitude shared throughout the organization. It is strongly based on digitalization. This is where it all comes together.

What is the outcome of this process? What has changed within the organization?

I'm convinced that businesses can't afford to ignore the new information sources for long. If they do, they basically blindfold themselves. Modern planning requires a very immediate awareness of the markets. Without this awareness, you cannot control anything. If you can't control the direction of your business to align it with the market, it will be only a matter of time before your margin shrinks beyond rescue. At this point you definitely won't be able to sustain growth. Not only that – you won't be able to keep your business on the market, either.

This won't happen overnight. But if you don't start initiating the change now, if you fail to address these issues and take the first step towards transformation, you will be facing trouble not too far ahead. You might perish in the long run. That is why businesses must initiate a comprehensive change and transformation process right now. This process comprises everything from the customer comment far, far away in some social network to the core business departments and manufacturing.

And that's the reason why we need to become aware and part of the digital awareness that is already out there – both as a society and as business organizations.

What do you think? How do you experience the current developments? What experience is your company making? Do you have questions, recommendations, ideas? I am looking forward to discuss matters with you. Please get in touch with me: <http://dirkliebich.com>