AN INTRODUCTION TO
DIGITAL ADAPTATION

Continuing Your Digital Journey

RURAL SOURCING

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The Evolution of Business

Becoming a digital business is no longer an option. Failure to make this transformation is the main reason over half of the companies on the Fortune 500 have disappeared since the year 2000[1]. This is a failure of thinking. It's this inability to adapt that threatens the existence of many of the companies we know. In order to survive, companies are compelled to adapt as digital reconfigures entire industries.

Over the past few years, we've become familiar with the idea of digital transformation, which is essentially the merging of the physical and online worlds. As simple as this sounds, the reality is that successful, traditional businesses must adapt at a faster pace than ever before. In the last 10 years, markets have become more competitive. Customers are more demanding, choice is broader, skilled resources are scarce, and business is living in a constant state of change, meaning adaptation has become the frenetic way of life. Galen Gruman asks the question, "What should digital transformation mean?"[2] Key to his explanation is the notion of "fungibility," the ability for something to "be" changed or adapted, essentially meaning that modern systems, process and technology must be designed and built with a capacity to be constantly adapted. Otherwise, it's yesterday's news. Innovative behavior has become table stakes.

Unfortunately there is no "easy button" to becoming digitally transformed. By definition it's an ongoing process. This process is about digital adaptation — the ability to predict, or perceive, quickly evolving business needs, and adjust through new combinations of technology, process and workforce management. As digital reconfigures the business, it drives the need for new and adaptive approaches. It requires the use of new technologies as well as a willingness to adopt emerging methods and the utilization of innovative workforce models. The goal is to create faster, more flexible solutions that simultaneously exceed user and consumer expectations while keeping competitors on their heels.

The concept of digital adaptation can fundamentally be broken down into four categories:

1. Evolving Needs
Companies must adapt their business and their support systems in this world of constant change. Today, success and survival results from being able to thrive among volatility and uncertainty. With this level of change and uncertainty it becomes difficult to predict future needs. As a result, leading companies place many smaller bets on emerging models and technologies.

2. Workforce Change
The workforce model looks very different than it did 10 years ago. As technologies evolve, companies need a plethora of technology skills, ranging from Data Scientists to User Experience Design Analysts. The breadth of talent requirements should cause companies to consider new models for obtaining the necessary talent.

3. The Experience
Today, customers compare the digital experience you provide for them to all their other digital experiences, not just those of your competitors. However, delivering great digital experiences should not be confined only to your customers and prospects. You should be providing great experiences for employees to put them in the best position to succeed by adapting and delivering great

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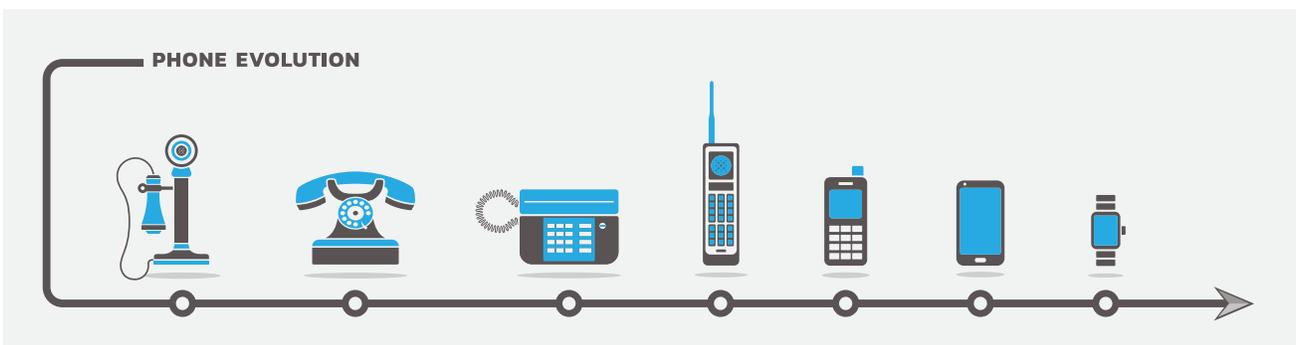
1. Pierre Nanterme, World Economic Forum, "Digital Disruption Has Only Just Begun," January 17, 2016   2. Galen Gruman, InfoWorld, "What Digital Transformation Really Means," June 14, 2016

technology to better enable them to serve your customers.

4. Competitive Threat

Barriers to market entry are nothing more than a good idea and a couple of high energy individuals in a dorm room. Companies spring up overnight threatening the core of established organizations. The number of companies that have vanished from the S&P in the last 15 years is well documented. New, well-funded, fast growth companies have materialized. Whether they succeed or fail does not diminish the immediate competitive threat they represent.

Evolving Needs

Finding the balance between Cost, Speed, and Quality

The challenge to adapt in digital is that of balancing the cost of technical expertise with the standard of its output. One example is offshore, where cost is low but the distance drives issues with deliverables. Not only physical distance where time zone challenges come into play but contextual and experiential connections, or the lack of them, present challenges in understanding the application of the technology being developed. For example, understanding the "why" and "how" of purchasing a new car using a mobile application means nothing to people who have never bought a car. This lack of understanding can result in substandard outcomes, which can reduce speed and risk ROI.

Additionally, using globally remote teams or managing a revolving door of contractor talent not only has a negative impact on the speed and quality of the deliverable, it also strains internal management. The constant training and re-training of globally dispersed, disconnected teams, or perpetually changing contractors is inefficient and frustrating to the management team. This promotes dissatisfaction and, ultimately, turnover.

Digital adaptation is, by definition, unpredictable. This inherent instability drives the need for flexibility as well as greater agility in order to master the development and deployment of software. It's no longer good enough to be able to use agile — you must know how to use a fundamentally less structured approach in an organized fashion.

Today, the speed at which companies need to change is difficult to manage. That's not to say that in-house recruits, offshore and staff augmentation no longer have a role; in fact their roles have become better defined. Digital has re-written the script introducing the need for a new player. One whose characteristics match up with the need for skill as opposed to offshore scale. One who can effectively combine competitive cost and quality with the capability of domestic software development to drive effective management of technology delivery in the era of constantly evolving needs.

Workforce Change

Accepting New Employee Models

Digital has changed the traditional workforce model. Now is not the time for complacency. The people and the models used to manage them are as important as the technology itself and so companies must adapt their workforce thinking accordingly.

Companies have publicly expressed a desire to bring tech workers back in-house because they are beginning to understand that more physical and contextual proximity are required to move as fast as possible. As companies pursue a finite talent pool, the talent has become comfortable adopting a mobile mindset and is less excited by big company culture. This accentuates an already stressed search for skills and promotes the need for a strategic approach to workforce planning and management where variable models can be used in combination.

The need for skills will likely change in unforeseen ways which means businesses must remain as nimble and agile as possible, while encouraging more inventive partnership models. This mindset must be used in re-inventing workforce or skills models with a scalable network brain trust. Just as the landscape evolved from all full-time, permanent hires to a majority of contract labor, leadership is realizing that as well as being nimble, they need to be balanced. Workforce structures must match the driving needs of the business as well as the budget.

As you adapt to the changing workforce model, consider the following:

1. Access to Evolving Skills
Workforce models will need to better combine in-house candidate identification, recruitment, and more thoughtful retention. And, they will have to combine with third parties that bring more than just specific technology domain expertise, but also industry experience, creative workforce models, innovative engagement structures, technological creativity, community collaboration, workspace efficiency and proactive collaboration. Firms that add value in new and unexpected ways will win an outsized share of business.

2. Skills, NOT Scale
Technology teams (whether internal or with partners) used to be more uniform: more people with the same expertise deployed onto a few large projects. This model was the catalyst for offshore with large numbers of "skilled" people performing repetitive, rote tasks – the classic waterfall approach in software development. Today, digital has forced organizations to re-evaluate this approach. Agile teams are smaller, comprise a variety of technology skills, and require broader "soft" skills such as communication. Teams inside and outside the organization are now agile to allow for digital adaptation, deploying and re-deploying as project requirements change, helping the budget stretch as far as possible while maintaining a high-quality output.

3. Constant Collaboration
We know that more collaboration leads to better outcomes, so much so that some prominent companies such as Yahoo and IBM are going back to office-based business models in a quest to recapture the creativity that derives from collaborative environments. But not all companies are capable of doing this. Instead, organizations must leverage a balanced model that includes partners with innovative delivery frameworks, that maximize collaboration and the latest communication tools, and are capable (both technically and intellectually) of delivering the solutions required by the business at the pace they need them.

4. Building the Talent Pool
The talent pool in technology began to dwindle as offshoring started to grow after 2001. According to The 2015 U.S. News/Raytheon STEM Index, the result was that, "the mid-2000s were a rough stretch for STEM fields, as the percent of degrees granted for STEM majors either slowed or fell from about 2003 through 2010."[3] Today, STEM is recovering, however, demand for technology skills still far outstrips supply. Organizations both in the public and private sectors are competing with contracting firms, staff augmentation firms, and offshore companies. To create a greater talent pool, they have begun to partner with the education system at both the high school and University level to improve education, attract future employees and promote technology talent growth with the U.S.

3. Lindsey Cook, Matt Mason, Robert Morse and Alan Neuhauser, U.S News & World Report, "The 2015 U.S. News/Raytheon STEM Index," June 29, 2016

The Experience

The Consumerization of IT

The battle of digital adaptation takes place against a backdrop of perpetually changing consumer behavior and expectations including thoses of customers, users, stakeholders, and constituents of all types. Consumers compare the digital experience you present against ALL their other digital experiences, not just those of your direct competitors. This represents, in part, the consumerization of IT – "how enterprises are affected by, and can take advantage of, new technologies and models that originate and develop in the consumer space, rather than in the enterprise IT sector."[4]

IT consumerization is a label used to describe the impact consumer technology has on business technology and how it affects the way people compare their technology and related experiences across the domains of business and life. No longer can you isolate personal digital experiences and your business digital experiences and hold them to different standards from one another. The same way that digital transformation merges the physical and digital, consumerization merges the work and non-work such that we look at our digital experiences as consumers, users, and stakeholders through one lens.

Customers and users will continue to hold us to higher standards. It may become the game of "perpetual one-upmanship" as users compare cross-market experiences and constantly raise the bar on their expectations. Adaptability is the name of the game. This month's "UX of the Year" can be next year's cautionary tale.

What will set companies apart is that their "experience" narrative is not confined such that it recognizes only the "customer." There are opportunities to expand the experience in other areas of the business: front office, back office, partners, suppliers, people management, etc. Transformation and digital adaptation is as much about liberating internal ideas and actions as it is about servicing customers, and as Richard Branson (a great disruptor himself) said, "If you look after your staff, they'll look after your customers. It's that simple." Looking after you staff isn't just about pay and conditions, it's about giving them innovative tools and technologies so they can unleash their creativity.
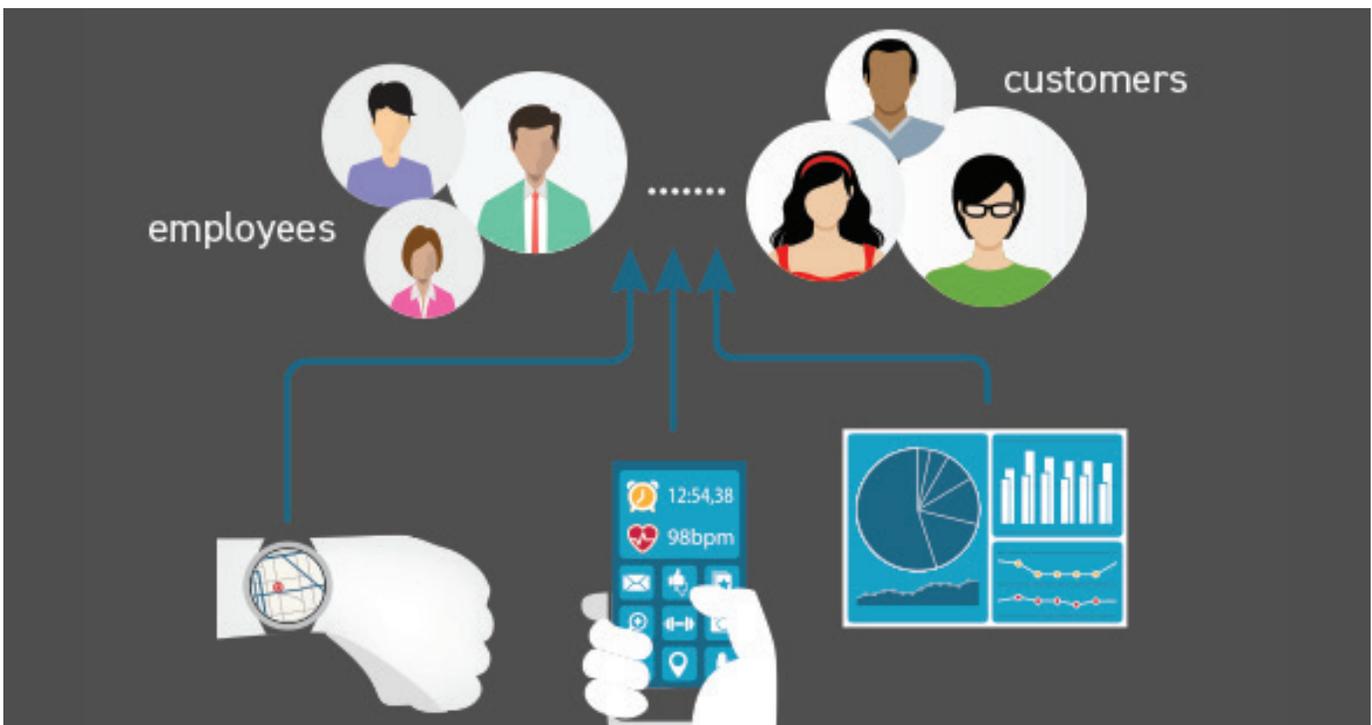
4. Michele Cantara, Gartner, "Talk About Adapting Behavior Instead of Business Processes to Drive Digital Business Transformation," April 25, 2016

COMPETITIVE THREATS

A Commercial Free for All

There are few companies today that are immune from the forces of disruption. The most potent elements of disruption are the speed at which it happens and its inherent unpredictability. You don't know when and how fast it can happen, the form which it takes or from where it's coming. Company leadership must be cognizant that disruptive competitive forces can emerge from unconventional areas — sometimes those you would least expect. They are not limited to traditional competitors; they can appear from what were formerly partnerships, suppliers, and even customers themselves.

> The need to become agile and achieve and maintain adaptability is mandatory.

Traditional vertical markets no longer exclusively contain only your direct competitors. As companies develop technology, harvest data, and identify patterns, they are more able to traverse industry thresholds taking them into new businesses and creating new competition. Those competing in commercial self-driving cars are great examples of this. Although established companies may have some advantage over well-funded, fast growth start-ups, they still have something to defend with a customer base built on past success. The need to become agile and achieve and maintain adaptability is mandatory as disruption, speed, and unpredictability, emerge from unusual places.

In addition to startups, one of the most significant disruptive forces that enable unconventional competition is the availability of technology. Small companies can access computer power, storage, applications, and tools, formerly only available to the well-established companies with the mature budgets. "As sector borders dissolve, new business ecosystems emerge."[5] When you combine this increased accessibility of technology with the liberation of demand, Miklos Dietz of McKinsey & Company insists "The real reason why we are seeing the acceleration of sectors merging into each other — borders between industries going down and emerging ecosystems — is because of this extraordinary combination of supply and demand meeting." Therefore, old industry alignments dissolve, and the competitive landscape becomes a commercial "free for all," creating new competitive forces.

THE DIGITAL JOURNEY

The quest to embrace digital or "transform" has moved from an abstract concept to a mandatory strategy. To survive, business leaders must continually adapt as their needs evolve at light speeds. It's time to get comfortable with being uncomfortable as companies become more susceptible to emerging competition that are more nimble with flexible business models.

Achieving success in digital is as much about skills and expertise as it is about technology. Leadership must be willing to consider and understand the roles of new and innovative workforce and skill models to best leverage the opportunities of digital. The ultimate winners will need to use new, less familiar frameworks that combine people AND technology to deliver revenue and operational success. It's about finding the right partner and managing these elements to successfully continue along your digital journey.

ABOUT RURAL SOURCING

Rural Sourcing is changing the IT outsourcing experience with a cost-effective, agile approach to software development, support and maintenance of critical business and cloud applications. By providing an alternative to offshore outsourcing, Rural Sourcing eliminates the obstacles of time zones, distance, language, and geopolitical risks. With development centers strategically located throughout the United States, Rural Sourcing leverages untapped, highly skilled IT resources in smaller cities to provide world-class solutions for Fortune 1000 clients across various industries including consumer & retail goods, financial services, healthcare, hi-tech, and pharmaceutical.

To learn more, or if you have any questions about digital adaptation, contact us at inquiries@ruralsourcing.com or 877-887-4774. Additional information may also be found at www.ruralsourcing.com.

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