

A survival strategy for digital transformation

Smaller companies have a lot to gain in the digital era - provided they adopt the right mindset. The winners will be those that view their business from the eyes of their customers and understand that fast-paced innovation is the key to long-term growth. With this mindset they can take on even the largest enterprises who are slow to adapt to the fast moving digital reality.

By [Werner Vogels](#) 5 Apr 2017



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The digital era is here. Companies that haven't realised that by now will fall behind. In many industry segments and markets, for example, platform services, we've already witnessed how start-ups and niche providers have unleashed a revolution.

Companies that used to be dominant but stare at all the changes around them for too long in a state of paralysis can quickly end up in a struggle to survive – look no further than the entertainment and music industry where streaming services have eaten a significant piece of the cake of the hard-copy providers.

The better you understand why and how small and medium-sized players can conquer global markets, you be better positioned to come out as a winner.

Digitalisation allows even the smallest companies to think big because it puts technology into their hands that was previously hard to access and too costly to acquire. But adopting modern technologies alone is not enough to win the market battle. However, when new technologies are combined with a passion for putting the interests of the customer at the heart of everything you do, they can give agile companies that decisive push to the front of the pack.

And Mittelstand companies have fantastic opportunities, provided they digitise more of their existing business models. Especially in manufacturing-based industries, introducing more software that complements hardware can eliminate fixed costs and allow you to quickly scale up to a global level. Companies that embrace this can rise to become leading players, taking the place previously reserved for the 'big shots' in their industries.

Digitalisation starts with having the right mindset: namely one aimed at creating innovative digital experiences. Continuous customer-centric experimentation has been the leading principle at Amazon from the start, in both our e-commerce activities as well as in Amazon Web Services. We found out that by organising our innovation efforts around customers' needs, we could innovate very fast. Since 2006, Amazon Web Services has introduced far more than 2,500 new services and features, and around 90% of them were the result of wishes articulated directly by customers.

The first requirement for developing an innovation mindset is to adapt your offerings fast to changing customer behavior. There are great examples of German companies that already do this. One is Vorwerk and its all-in-one cooking machine, called Thermomix. This premium product has been on the market for more than 50 years. But the way people cook today is different than in the 1960s.

Today, cooking must be convenient, fast, and healthy. People want to prepare meals without too much effort, yet some appreciate a bit of guidance during the entire cooking process, from picking a new recipe from Vorwerk's cloud-based database to putting the finished meal on the table.

Digital innovation mindset

Companies that want to adopt a digital innovation mindset should start leaving their comfort zone – even if they don't (yet) feel any pressure to change. Or put another way: they have to develop an inner drive to not just deliver on their customers' changing needs, but rather anticipate them.

A company that does this very well is SKF, the global market leader in ball bearings and a supplier to many industries. SKF keeps the strategy of its clients in mind at all times and tries to think along with them. For example, wind turbine operators. SKF will ask itself: What are the critical, vulnerable issues in their business model?

Doing maintenance on wind turbines is a complicated affair because they are located so far apart from each other. At the same time, the wind turbines have to work reliably whenever the wind conditions are ideal. So SKF takes the initiative to develop services outside its own core business. In this case, it offers ways for wind farm operators to operate and maintain their sites from any location using cloud solutions.

Digitisation opens up new opportunities for companies to create value. So adopting a digital innovation mindset will automatically lead you to start thinking what kind of value you would like to add to a market in the future. Beckhoff, a leading supplier of automation technology devices, is a great example in this context.

The firm developed a solution that sends data about mission-critical systems from the shop floor of their customers into the cloud. The cloud connection opens a two-way street, a bi-directional connection: all of a sudden Beckhoff's customers can receive and analyse data from their machines via the cloud, which enables them to operate their manufacturing or fulfill maintenance tasks from anywhere in the world. By offering a solution like this, Beckhoff is not only transforming itself from a hardware producer to a software provider, but also serving as the catalyst for the business transformation of its customers. This shift will all

Beckhoff to claim a new position in the value chain.

Entrenching a digital innovation mindset in your company won't happen overnight. However, as the growing number of firms that have been successful in the digital era by adopting this mindset proves, it's worth the effort. In the end it means you won't just merely survive all the changes happening around you. Instead you will lay the foundation for a bright future.

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