

There are some things that, when you take a fresh look, the more you find out that what you were thinking is shallow or superficial—and perhaps crucially so—when it comes to the current status in the real world.

Along those lines, our topic today is the “the digital disruption of supply.” To set the stage, it just so happens that most of us really *do* know a lot about supply and demand at the consumer level because, in a place like America and in many other countries around the world, we have been radical consumers since we were very young, like pointing to the sugary cereal that we wanted as little kids at the grocery store.

Just what is supply and demand? It’s the price determination of a particular product or service offering in a market. You know, when the going price of concert tickets to your favorite music star, maybe Taylor Swift or Luke Combs, is several hundred bucks? You just roll your eyes and say, “supply and demand!” That’s because an intimate seat at a concert put on by a unique star generates high demand...yes, a lot of people create demand for a limited supply of tickets, and in so doing push the price higher.

But something deeper has been happening to the supplying of both goods and services in many, many markets and industries. The digital era has arrived, and it’s arrived with a vengeance. And, as so often happens, that arrival is a double-edged sword: big benefits come to many, even while big detriments come to others. Our task, of course, no matter what organization we are leading, is to make our organization a real winner in the digital era. And that’s not just about thriving, it’s first and foremost about surviving.

So, we should start by generally defining a couple of terms, the first two of which some pros in the field like to use. As we walk through all three of these ideas, we’ll move from foundational processes, to strategic, company-wide application, to then using those digital processes for full-blown disruption.

Step 1: *Digitalization*. First, it all starts with a basic technical process—converting non-digitized stuff to digital stuff. Like scanning your paper document into a PDF digital document that’s saved on your laptop. Or like using a Microsoft Excel spreadsheet to work your numbers instead of manual ledger processes.

Then these types of processes are embedded into new approaches for your organization—that’s digitalization! In the context of this podcast episode, that would be new approaches for handling supply of your key products or services. Perhaps you move your inventory from purely physical to online for customers to select products directly from far away. Or perhaps your managers in offices worldwide share digital files for inventory management—comprehensive files found instantly in the cloud. Effective digitalization can make a huge difference in increasing sales, cutting expenses, and improving productivity. But be careful: technology can become a tyrant when it begins to justify itself for its own sake.

Step 2: *Digital Transformation*. Digital transformation is a full-blown, all-encompassing use of digitalization to transform an organization. Nothing is exempt: strategy, operations, customer experience, worker efficiency—you name it, everything is eligible in your organization for moving and maximizing the use of digitalization. And the heart and lungs of many an organization is the efficient handling of supply.

Few enterprises—especially large companies—truly excel at digital transformation. That’s often because of internal resistance—entrenched bureaucracies have typically built entrenched ways of doing things. And bureaucracies are often quite successful at protecting their processes. Often those enterprises that actually do succeed at digital transformation are forced there by robust competitors who either precede them in digital transformation *or* by new, start-up competitors who never tried to adopt old processes.

Step 3: **Digital Disruption**. Now we move from transformation inside the firm to an outward-looking view. Digital disruption is the substantial disruption of competitors in supplying markets, disruption accomplished partially or substantially through digital means. This disruption can be dramatic, because in free markets, fluid change realized by just a few new clicks in just a few seconds can radically change buyer behavior. No waiting on a new retail store to come to your city—just click, explore, order, and enjoy!

Here's the important, overwhelming thing we must all grapple with. Commerce at the speed and ease of "digital" means that you and your enterprise can't just settle for the first two ideas that we just discussed—you see, digitalization and digital transformation likely are not enough. Here's why that's true.

Yes, those two digital initiatives can create effective, even magnificent change for your enterprise in the short-term. But no matter how effective your organization-wide digital transformation is—the real issue is whether something is coming along soon with a devastating disruption of what your enterprise is doing, even just after your magnificent digital transformation helped your entire organization. No, don't make that "whether" that kind of outsider disruption to you is going to happen—it's a matter of "when."

Here's a scenario. Suppose your retail firm moves to make a digital transformation of creatively displaying its inventory online, eliminating order hassles and dramatically reducing delivery time. And, boy oh boy, all that work takes off like a rocket and pays off. Well, it works, that is, *until* a savvy web competitor provides a wider, prettier inventory...a faster delivery...a lower-priced basketful of stuff...a more-streamlined, one-stop retail experience—you know, all the kinds of customer experiences that defeat all your firm's recent efforts...which are now like bread that's been sitting out on the kitchen counter for a couple of weeks. Think of a savvy web competitor like Amazon, or maybe a dozen other elite digital supply outlets. This...*this* is the world of digital disruption. And that type of disruption is not limited to retail—supply disruption is a reality for non-product services offered by both businesses and nonprofits. And, as we quite rudely discovered in 2020, a huge event like COVID-19 can accelerate digital disruption.

The only option for the astute leader is relentless diligence. But that leadership diligence must be in leading, not just following. Because you know that digital disruption of supply typically doesn't just come from one source—it comes from many. Competition...shifting consumer tastes...a megavirus...all of these can precipitate or accelerate digital disruption of supply in your industry sector!

So, here, leading means assimilating real knowledge of all the truly important digital change and then forging an integrated solution that can lead the market. Then, when that initial effort doesn't quite work—and it won't, because digital integration is really complex—then you adjust and tweak and reinvent. Then, when that new configuration doesn't quite work, adjust and tweak and reinvent again. Then do that again.

You get the idea. It's like the instructions on the shampoo bottle. Rinse and repeat. Rinse and repeat. Rinse and repeat. It's daily—it really never ends. But that reality is actually your opportunity...your main key to success. The entire world of digital disruption is a constantly moving target...and that's actually to your benefit, if you're savvy enough and motivated enough to not just survive but to actually thrive in the constantly changing world of digital disruption of supply in your industry sector.

Discouraged? Don't be! Because the winner is the leader of the enterprise with proper mindset—from now to forever. That's because there is no end to digital disruption. So, in the area of supplying customers, are you resolved to be a disruptor instead of a disruptee? Honestly, what are you resolved to be? Because your enterprise's future depends on that cutting-edge leadership mindset!

A&A: Application & Action

1. Take an honest look at your enterprise. What level in the progression of these three digital steps has your organization actually embraced—from simple digitalization to digital transformation to digital disruption? In this context, what are the implications for your enterprise’s future?

2. If your answer to the previous question was not “digital disruption,” what are the reasons and roadblocks keeping that from happening? But if your answer was “digital disruption,” is that very disruption a continuous improvement process, where you “adjust, tweak and reinvent” to establish and maintain a leadership position in your industry? Be specific in your responses.

3. Combining leadership and a disruptor mentality is not very common in leaders. What are your personal actions that acquire or sustain a combined leader-disruptor mindset, especially if you are living in an organizational reality when most everybody is not a leader-disruptor? Be specific.