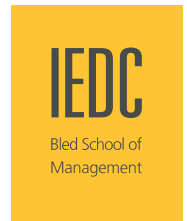


IEDC Faculty: Learning from the best



A School with a View

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Prof. Branislav Vujović

PASSIONATE ABOUT DIGITAL

Digital economy is now a reality that creates immense opportunities but also significant challenges for all organisations. The near future will bring driverless cars and trains, flying drones that deliver our packages, internet through your contact lenses, sensors in your clothes, as well as desktop fabrication through 3D printers. In such new reality, one thing is for sure: we will have to understand it to be able to facilitate our lives as much as possible. When talking to Branislav Vujović, the Founder and President of New Frontier Group, I had two first impressions: he believes in digital with all his heart and he is not afraid of new reality at all. For example, he stresses that »Digital leaders can expect to grow revenues by 5-15% and reduce costs by 10-20%«. »Digital revolution is “democratic” because even small companies and small countries can lead and disrupt the big ones,“ was another inspiring statement. Amazing numbers and fascinating facts!

You will have the opportunity to learn directly from him at the end of March, when he will lecture at IEDC. But, before that, let's hit the road with this interview and explore this digital journey with a trustful guide – Mr. Vujović.

By: Tonja Blatnik, Head of Corporate Communications, IEDC



What was your vision when you founded New Frontier Group? Was digitalisation in its focus from the beginning in 2006?

Our management team was working for big IT multinational companies for many years before we joined forces and started New Frontier Group. Business models of multinationals were based on strong global strategy, strong focus on product development and global support, leadership and talent recognition and development, rigid sales management, corporate governance but real front end and customer facing structure was through local partners who were very client focused with clear understanding of local needs. We recognized that multinational companies were missing customer focus and understanding of client's needs in our region. On other side, local partners were missing strategy and sales management part, so we decided to create a new business model to bring bigger value for clients in our region. We combined good elements of multinationals like clear strategy, rigid sales management, corporate governance with customer focus and empathy, and good elements of local companies. Based on that, we started creating new products and services for and with our clients. It was based on digitalization but in its industrial form: we focused on creating value and optimizing existing business of our clients by automation and implementation of IT solutions. When the impact of the digital revolution increased, we turned more toward helping our clients not only to optimize existing business but also to create new business models for digital economy.

How was your passion for digital transformation born?

During our initial years we were focused on getting close to our clients (by acquisition and organic growth) and after a couple of years, we realized that digital revolution is impacting businesses of our clients as well as our own. In the initial phase we were also trying to find solutions by implementing new technologies to existing business models but very fast we realized that was not the right way. We understood that the key issue was in strategy and we started focusing on new digital business models. In the beginning only a minority of our clients were ready to accept this approach. We developed a set of seminars and workshops about digital strategy and digital transformation in order to increase understanding and acceptance on the client side. Our passion for digital transformation grew with every workshop and every industry vertical we analyzed. Many times we confirmed that our approach and methodology helped our clients understand what was going on and how to react in time of digital revolution.

What defines digital leader (vs analog one)?

According to main experts, the biggest issue with the digital revolution is lack of digital talents for big companies. The digital talent understands main assets, resources and rules of digital economy and can define new business models that bring growth by creating new business value for clients, company and partners, based on digital potential of the company. Digital leader is digital talent with ability to articulate new digital strategy and to lead company through digital transformation.

What are the key assets in digital economy?

Key asset in digital economy is information. We collect data and produce information by processing data that we own or we can get access to. There are other important assets as well, such as trust, products and services, channels (how we communicate with our clients), ecosystem. Most companies own several assets that can be the bases for digital transformation and new digital strategy. We witnessed that in some cases assets can also have a strong negative influence on digital transformation. Like an agent's network on insurance companies or strong partner network on product companies (Kodak, car producers). In these cases, companies are reluctant to switch to new business models to disrupt their old model. They are afraid of direct communication with customers and of new market strategy that changes their partner ecosystem.



Which path is more frequently used in B2B and which in B2C sector? Are there also significant differences geographically looking (for example US vs CEE)?

In B2C case, it is mainly revolutionary, disruptive business model. It is very clear that customer is in the focus and that all business functions are around "his majes-

ty the customer”.

In B2B case, digital transformation is in the less advanced phase. Digital economy rules for B2B businesses are not very clear and best practices for many industries are still missing.

Digital revolution enables a new kind of globalization and new global start-ups or global players are disrupting local companies. Examples are What's app, Viber, Skype, Amazon, Apple pay, Alibaba Express to mention some of them. There are differences in region by region and country by country in the way that clients adapt new channels, new payment methods, new brands and how fast digital companies manage to build trust. Germany is still a country with high usage of cash, while India is promoting very fast online and mobile payments. Tanzania is the first country that introduced the same mobile payment process through all mobile operators enabling total coverage. Digital revolution is “democratic” because even small companies and small countries can lead and disrupt the big ones.

I read your blog, where you wrote the following: »Digital promises significant financial upsides. Digital leaders can expect to grow revenues by 5-15%, reduce costs by 10-20% and realize potential bottom-line improvements of over 30%.« Amazing numbers! Could you perhaps tell us which industries are better with digital transformation and which still look at it with fear?

We see potential in all industries. While it can look very optimistic, these numbers are related to companies with industrial business model that successfully con-

vert to new digital business models after digital transformation. As we mentioned before it is also a “democratic” process. It requires transparency and openness and mentioned improvements can be shared with customers. In that case, the company expects new customers and new revenues based on created new value.

Could you define some most frequent threats that companies are faced with when embracing the opportunities of the digital?

There are many threats coming from market and industry forces from existing competition, local and global new entrants, from product substitution, from new social and regulatory trends and macroeconomic forces but internal issues are usually the first barrier to success. Understanding digital economy and digital leadership within the company is the first problem. Resistance to change and cumbersome decision making process hidden under risk management and corporate governance procedures are the next. We learned from experience that the fastest way to move to digital economy is to create a separate business unit or even a separate company that can use some parts of existing assets and infrastructure but is independent in decision-making and development. New entity will even disrupt the mother company.

In March, IEDC will welcome you as the lecturer, leading the seminar Digital Business Model. Could you give a few insights for the participants about the content? What will they learn about understanding the digital oppor-

tunity and how will the knowledge they get help them to be more ready to go through the needed transformation process effectively?

We already did several seminars and workshops helping our clients better understand both threats and opportunities brought by digital economy. The main objective is that we help participants build their own understanding of digital and that they move closer to digital talents and digital leaders. We will discuss the basics of digital revolution, principles of digital economy by comparing industrial and digital business models and recognizing where the differences are coming from. We will analyse best practices both from our region and global ones to understand what are real values for clients, company and ecosystem. Every participant will learn how to recognize valuable assets for digital transformation and process of creating innovative digital business model. After this seminar, participants are ready to transfer the knowledge to their own businesses or to the companies they work for. This seminar is an active workshop where everybody contributes by presenting their own ideas and views, creates different digital business models and proposes digital transformation to implement them.

Once you wrote: “The way I understand it, technology is ready, but laws are not and we need to wait for laws to be adjusted and brought in line with the new reality. But until this new reality is fully regulated, there is plenty of opportunity to disrupt industrial enterprises.” Can you give us some examples of new digital business models, which are using the unregulated space as competitive advantage?

The best example is all telecom operators are strictly regulated in each country and they need to acquire licenses, frequencies and even pay special taxes in some countries. They need to build infrastructure, to keep data about calls or internet access to each address for all customers for certain period and so on. Couple of years ago worldwide revenue from SMS and MMS messages were 100 billion US\$. In two years, the number of messages will increase many times but revenues will go down to 50 billion US\$. The reason is Viber, Whatsapp, Facetime, Facebook, Snapchat and other messaging companies that are offering same service free of charge. They do not pay any tax, require licenses and are not regulated. Facebook acquired Whatsapp for 22 billion US\$ two years ago.

There is value for clients, company and shareholders. Similar examples can be found in media and entertainment, financial services, retail and so on. Many start-ups like Uber are intentionally challenging or bypassing existing laws and regulations in order to introduce new business models.

How will digital advances continue to revolutionize the world we live in?

What we have seen is just a start. In the following years, the speed of change will increase and we will see growth of shared economy, new industries and constant innovation. According to a report from Citi GPS, disruptive innovation influenced 10% of global companies in last 10 years and in next 10 years, it will influence 47%

of global companies. For all companies originating in the industrial age, it is obligatory to analyse how they can transform their business model to digital economy. Or many of them will die.



MEET BRANISLAV PERSONALLY

My friends would describe me as ...

... visionary..

There's nothing better in life than ...

... learning and sharing.

The future will bring us ...

... more human approach to life and business..

My most valuable lesson is ...

... to learn from failure and to stand up and continue.

I am inspired by ...

... great innovations and new ideas.

When I think of IEDC ...

... I think of learning and sharing.