Failing in Order to Succeed in the Digital World

It is counterintuitive to celebrate failures as well as successes. But that is precisely what needs to happen if companies wish to spark a culture of innovation, says Ganesh Ayyar, CEO of Mphasis, a major IT services company. Fear of failure can paralyze many firms from taking on the kind of experimentation needed to face smaller, nimbler digital competitors. At the forefront of this change is the CEO, who has to go through his or her own digital transformation to ably lead the troops. And the journey is worthwhile because analog companies can learn to become digital aggressors instead of victims, Ayyar says.

Knowledge@Wharton recently discussed with Ayyar the personal and enterprise-wide digital transformation required for executives and companies to thrive in the digital age. What follows is an edited version of that conversation.

Knowledge@Wharton: Why do CEOs need to go through a personal digital transformation? After all, they went through the digital disruption of the dot-com era in the 1990s and have done just fine. What's the difference today?

Ganesh Ayyar: That's a very important question for us to understand, appreciate, introspect and internalize. If you look at the dot-com era, [it was a revolution of the] business interface and people were talking about brick-and-mortar [stores] dying and e-commerce taking over. It was a big moment. There was a lot of hype surrounding it, and then, the dot-com bubble did burst.

Now let us look at digital. Let us start talking about certain expressions of digital — 3-D printing is one form of expression of digital. Driverless cars, another form of expression of digital. Digital payment mechanisms, another form of digital. Robotics another form of digital. If you look at it, it is going to impact manufacturing, it is going to impact the IT services industry, it is going to impact banking, it is going to impact law and order, it is going to impact governments.

No industry is spared. Every industry or every player has an opportunity to leverage digital. The way you do business fundamentally is going to

be impacted. It is not just the business interface but the way you conduct business. So can a CEO of Ford outsource that problem to someone else and say they are going to tackle it? Then what's the role of the CEO? It goes back to the sense that a CEO is accountable for building a sustained business which generates superior value to the customers and thereby generating greater value to shareholders.

In the case of digital, CEOs do not have a choice but to take ownership, to go through the learning process, to go through self-transformation for them to be effective in the digital world — one cannot outsource that problem to someone else or the opportunity to someone else.

Knowledge@Wharton: You also say that business leaders have two views of the digital world, either they see it as volatile, uncertain, complex and ambiguous — the glass half-empty view — or they view it as fast, innovative, without limits and carrying plenty of potential, the glass half-full point of view. What are the implications of each view in your mind and how CEOs can lead their companies?

Ayyar: If you take the so-called half-empty view for a minute — I'll call it a negative view — if you

take that as a view, you will think about, 'how do I defend my enterprise against the people who are going to take away my business, my customers?' And if you think of it as half-full, you will be full of energy trying to think of, 'how do I become the aggressor, attacker? How do I become the asymmetrical competitor who generates greater value for my clients, who takes the business away from the competition? And as a result, generates greater value to shareholders?'

So it's a mindset. In the digital game, do you want to be the person who is defending because you started as an analog business or do you want to leverage the strength that you have built as a result of the analog business, and become the aggressor in the digital world?

Knowledge@Wharton: You've spoken also of the digital disorientation that CEOs can experience when they are confronted with all the digital choices in the market. How are you able to manage this flood of information and what do you think other CEOs need to do?

Ayyar: Let me share with you my personal story. When Facebook was introduced to me, I went to my daughter, who was a teenager at that time, and I asked her, 'what is the difference between email and Facebook?' So I was that — what shall I say? – ignorant, inept. And when I saw the opportunity in the digital world, it is huge, enormous and that is how this journey has begun. The way I am looking at it is this: As a company, one does not have a choice [but to be engaged in digital endeavors]. Make use of it, learn the tricks of digital. The more you learn, the more energized one feels. And bring it into the organizational model and culture — remembering why do you exist? If you make that as a center, which includes your customer, you will succeed — at least, that's my view.

Knowledge@Wharton: Based on your experience, how can a company prevent becoming outdated and irrelevant? What steps do businesses need to take?

Ayyar: People are talking about sustainability and people think sustainability is about the environment. Sustainability is also about how you sustain the corporation. In that context, it is extremely important for CEOs to be connected with the [company's core mission], as I mentioned earlier. And once you are clear about it, [the next thing is to figure out] what and how digital can bring in tremendous value. So you will become outdated as a business if CEOs and CXOs do not take personal charge of self-transformation to guide the company towards success in the digital world.

Two, you will become outdated if you don't understand why you exist as a business.

Three, if you take a stand that I am going to defend [my turf without a plan to also be an aggressor], there is every probability that you will lose out.

Four, this is a world where you need to co-create with your customers and digital offers you that opportunity to be of more value to your customers — don't miss out on that opportunity. If you do not co-create it with the customer, there is every possibility that someone else is going to take your customer away.

These are the things that you have to think about. But the most important thing that I took as a personal lesson is this: I owe it to my company, as the CEO, to undergo self-transformation, to take charge of guiding Mphasis towards success in the digital world.

Knowledge@Wharton: Is there a general framework through which traditional businesses should view new technologies? How do you know what you need?

Ayyar: If you can work digital into just a technology framework, probably you have missed the point. One should not think of this as an IT problem, because it is not an IT problem. One should not think that this is all about IT, it is not all about IT, it is about business. And I am repeating myself that if you know why you exist, digital offers you a lot of creative possibilities to serve your customer in an innovative way, in a co-creative way, to create greater value to

your customer, thereby generating tremendous positivity for your shareholders.

The framework is simple, the journey is tough, transformation is tough, expecting an instantaneous result is not wise, and the most difficult aspect of transformation is cultural transformation and chemical transformation of the company. One has to be patient and yet, at the same time, they have to take responsibility and accountability that they are responsible for ensuring that cultural change takes place, that chemical transformation happens. And it won't happen overnight or within a quarter.

Knowledge@Wharton: At Mphasis, how are you weaving a culture of innovation into the DNA of the company?

Ayyar: One thing, that I have to be clear about, is that I don't have a monopoly on good ideas. Good ideas can come from anywhere in the company. … Secondly, you have to promote a sense of experimentation, which requires you to encourage people to take charge of the future, experiment, try new things. For that, you have to take out the fear of failure.

And I heard this from a professor, which is so true — we need to learn the art of celebrating failures and the [lessons] from those failures, so that people push the boundaries, try new things, experiment, co-create with the customers and build an environment that is full of innovation, full of experimentation that keeps [you] progressing in short bursts along with your customer. That is a journey which is far more enjoyable than just [sitting] on one side of the fence. ■