

# NEXT

M A G A Z I N E

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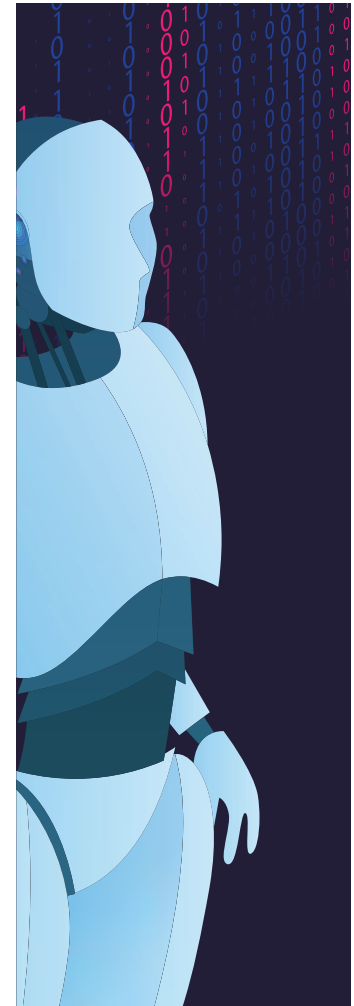
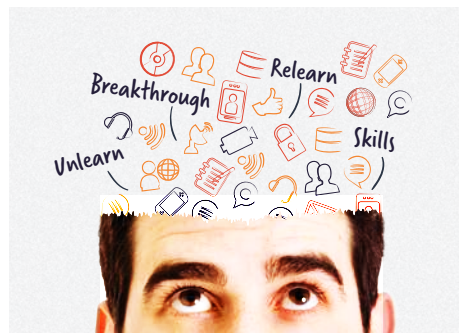
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# LEADERSHIP IN THE **CONNECTING WORLD**

It's a transformative journey that  
requires bravery and perspective.



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f

We are on the precipice of living in a hyper-connected world, where practically every electronic device we interact with is connected to the vast Internet of Things (IoT), and data is continuously being exchanged. In this Connected World, sensors in our forks will measure the nutritional and caloric content of our food, hologram virtual assistants will organize our activities, wellness monitors will prompt video consults with our physicians, and we'll be conversing with the smart walls in our home.

The signs of the Connected World are all around us, multiplying and innovating all the time. IoT represents a sea change for industries everywhere, and the speed at which IoT and all its related technologies are moving is unprecedented.

So, how many business leaders are taking steps to modify their products or services and prepare their companies to compete in this new, hyper-connected world? Not enough.

Ask Gregg Garrett and Warren Ritchie, authors of the book, *Competing in the Connecting World: The Future of Your Industry Is Already Here*. As the title plainly suggests, the time is now for executives to prepare to lead their companies through the transformative journey toward the Connected World. Or, more precisely, to lead their companies in the connecting world.

"The Connected World, with a capital 'C' and capital 'W,' is the vision of the world fully connected. It's the future world that we may never actually get to," says Garrett. "The connecting world is where we are today. It's a world that's in change. It's in process. The world yesterday was likely a little less connected than it is today, which is a little less connected than it will be tomorrow."

"The speed in which a lot of this change is going to occur means that most companies really can't afford, or shouldn't choose to afford, to wait to start preparing for it," he adds. "This doesn't mean they have to switch their entire revenue model overnight, but if they believe we're on the trajectory of a Connected World, leaders should start preparing their capabilities to operate in this environment. They need to start their transformative journey now."

## VALUE AND THE PARADIGM SHIFT

In the connecting world, value creation and value capture differ from what most companies are accustomed to. In this world, potentially more than 50 percent of the value of a product or service will come from how seamlessly it fits into the user's ecosystem. Value is measured in the effectiveness of connections and allowing entities to collaborate and create a unified experience for the user. Consumers realize the difference in value between a thing

that's connected and one that's not. Simply, unconnected products won't have the same value to users as ones that are part of a larger integrated ecosystem.

When all products, services, and accompanying experiences are linked, companies must compete in a blended world where product-based ("things") norms, structures, and ways of thinking merge with norms from digital firms ("Internet").

"'Things' and 'Internet' industries each have their own set of economic principles. If you're starting from either end and moving toward the middle, you're going to need to drive out new capabilities and re-architect the underlying mechanics of your company," Garrett says. "The capabilities that have made you successful in the past aren't the capabilities that you can rely on to keep you successful in the connecting world."

The predominant business model of IoT is a two-sided one that's common among Internet-based companies such as Amazon, Facebook, and Google, according to Garrett. On one side are the products and services consumed directly by users. Here, you want to collect and mine product and use data, your IoT data, to ratchet up the value delivered to your customers. The byproduct of this aggregate information leads to the other side of the model, where you seek to monetize your data by partnering with third-party businesses that can integrate your product or service or create altogether new adjacent offerings.

For companies rooted in a world of discrete products and disconnected user experiences, the two-sided model is nothing short of a paradigm shift. (See sidebar: Connected World Brings Technological Discontinuity.)

## PUT ON YOUR DANCING SHOES

Leaders can't begin to embrace this fundamental shift in thinking about value if they don't bust down barriers of inertia. There are different flavors of inertia, but one Garrett sees often among executives is dominant logic inertia, or inertia that stems from an executive's tendency to repeat the decisions and behaviors that have made him or her successful.

Garrett harkens dominant logic inertia to an awkward middle school dance, when you mustered the nerve to ask your secret crush for a dance. The music started to play and you probably did your best two-step hustle. At the end, you even got a kiss on the cheek. And from that day on, every time you dance it's similar to the dance you did in middle school. Why? Because it's what you know, and you were rewarded for it. It worked.

“But leaders need to ask themselves if the music has changed,” says Garrett. “If it has, will they get the same result, or do they need to change their dance moves to find the new beat?”

Executives can’t follow the same playbook in the Connected World, even if it’s been wildly successful. Unrecognized, dominant logic inertia can prevent executives from acting fast enough in a competitive arena. By the time they realize the music has changed, it’s too late.

## WALKING A WELL-TRAVELED PATH

The Connected World is bursting with possibilities and opportunities for businesses. It’s also shrouded in mystery because we can’t predict what life in a connecting world will be like entirely. Executives need to envision how customers, businesses, or other users will experience their products or services in the future. It’s a challenging, if not scary, proposition.

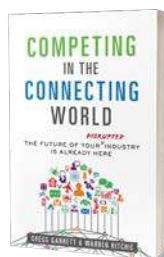
Garrett wants executives to realize, however, that they’re facing the same type of technology disrupting patterns and strategic themes their business predecessors faced decades ago.

“Think if you were an executive when steam power was harnessed for the first time. What if you were running a company in New York before the internal combustion engine was invented and then continued to run it afterward,” he says. “Going from the horse and buggy to the automobile required learning an entirely new and foreign technology. The transportation and ancillary markets were completely transformed, and you had to decide how your company was going to compete and which capabilities were needed to make it happen.”

Leaders in the Connected World aren’t the first to take a transformative journey like ours, notes Garrett. They just need to be brave and start moving.

Referred to by readers as a “field guide for business disruptors,” the best selling book *Competing in the Connecting World* offers a proven framework and approach to assist leaders in understanding, preparing, and bravely transforming their firms to thrive in the digital era.

Gregg Garrett is the CEO and Managing Director of CGS Advisors LLC, a boutique strategic transformation and innovation advisory firm. Previously, Gregg served as chief strategy roles in the Volkswagen Group and Deutsche Telekom and was part of Ernst & Young’s Management Consulting Practice. Gregg is an experienced international keynote speaker, lecturer, and author of a best-selling business leadership book. He can be reached at [greggory.garrett@cgsadvisors.com](mailto:greggory.garrett@cgsadvisors.com)



## THE CONNECTED WORLD BRINGS TECHNOLOGICAL DISCONTINUITY

One-off connected features are baby steps, insufficient to get a company where it needs to go to be competitive in the Connected World. For a complete transformation to take place, Garrett and Ritchie purport in their book, leaders must fully understand the IoT and the end state of a Connected World to be a technological discontinuity that is disrupting all industries.

Technological discontinuity occurs when a new technology offers superior benefits over an existing technology, breaking its dominance. This discontinuity drives the need for businesses to consider new strategies and capabilities, often forcing organizational transformation. Some companies move faster than others. It’s the differences in efficacy and speed of reaction that leads to industry disruption.

In the connecting world, leaders who fail to transform their companies by acquiring the necessary new capabilities will not survive.

Leaders can start by deciding where they’ll focus their business capabilities. The following questions are a great launch pad:

- Will you decide to offer a connected experience, or supply a product or service to a company that does? (B2B supplier)
- Will you offer connected products, services informed from connected products, or both? How complete of a set of services will you offer, and how important will products be to the strategy?
- If you offer your connected experiences to the end user, will you solely monetize product-in-use data to the users, or will you develop a two-sided platform that has distinct users and separate customers who buy access or insights about the users?