Discovery-Driven Digital Transformation

In Short


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💡 What: Instead of big moves, established companies should take an incremental, step-by-step approach in response to the threats posed by digital technology.

✔️ Why: Incumbent companies should exploit their resources and knowledge in order to learn their way gradually towards an effective digital transformation.

Things to Remember

• Digital technologies and new business models pose an existential threat to traditional companies. They often invest a lot of resources in big all-or-nothing digitalization project, but fail badly. Instead, they should take a more incremental approach to transform over time.

• Large firms have a better chance of responding effectively to digital challenges. Traditional companies have the following advantages over new competitors: Paying customers, financial resources, customer and market data, and larger talent pools.
• A discovery-driven approach gets past the common barriers of digital transformation, by starting small, spending little on an ongoing portfolio of experiments, and learning a lot.

• In the digital context, discovery-driven planning (DDP), an incremental experimental approach, focuses on reinventing the way a company sells and delivers products it already produces, as well as on identifying how to create and deliver new value through new digital capabilities.

• Digitalization projects can be used to begin an organisational transformation.

  “But whatever the goal is, [the company] should frame the technology as an opportunity for the business rather than frame the business as an opportunity for the technology.”

• 📐 A DDP approach to digital transformation involves five key steps: (1) redesign of operations that are not working well and where technology adds value; (2) focus on specific problems, identification of outcomes and development of progress metrics; (3) identification of the arena of competition; (4) check of whether a platform opportunity exists; (5) test of the assumptions.

• 🔧 Use “from-to” tables, in order to identify problems that can be addressed with digital technology, to describe the solutions to achieve and to propose ways to measure progress.

• 🛠️ A way to measure progress on digital transformation overall: return on time invested (ROTI) = total revenue / number of employees

• 🌐 For identifying competitors: The field of competition is not a marketplace (similar players over rival products) but an arena, that is defined by a customer need (job to be done).

• 🔎 Tool to understand whether a platform opportunity exists: customer consumption chain.

• 🧩 Test assumptions with the assumption checkpoint table: write down the next milestones the project goes through, which assumption need to be tested at each and, if possible, the costs of the test.