






# Discovery-Driven Digital Transformation

## In Short

 **Discovery-Driven Digital Transformation: Learning Your Way To A New Business Model**  Rita McGrath and Ryan McManus  Harvard Business Review, May–June 2020

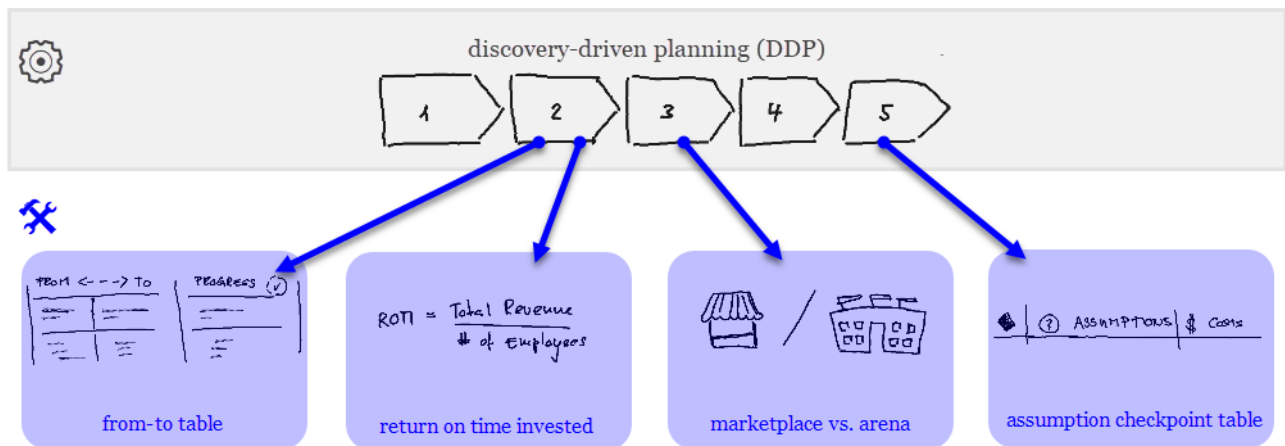
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#digitalization #innovation

 **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.



established companies and 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 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.