

UMEÅ UNIVERSITY

MANAGING THE DIGITAL ENTERPRISE

Individual Assignment 1

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1 Effects of digitalization

The digitalization of business and organization has a big impact on companies, reshaping the way they operate and compete. These changes can be analyzed through the lens of *Scale*, *Scope*, and *Speed*.

Definitions

Scale	describes the rate at which products are created. [1, 3]
Scope	describes the investment in customer relationships or physical distribution. [1, 3]
Speed	describes the pace in which existing capabilities are improved and new capabilities are developed. [1, 3]

Scale, *Scope* and *Speed* are also referred to as the three dimensions of digital business. [1, 3]

1.1 Scale

Scale

Scale describes the rate at which products are created. [1, 3]

Companies extended their *Scale* in the industrial era by increasing sales of products. This was limited by physical attributes such as cost and availability of materials and reaching enough costumers. [2, 3, 5]

A big aspect of the change of a company's *Scope* in the context of digitalization is the existence of digital goods. Goods can be seperated into the categories of material goods, services and digital goods. Digital goods can easily and cheap be reproduced and distributed. A physical product (material good) has to be produced more often, which generates more costs for material, transport, logistics and production in general. A digital product can often be reproduced and distributed on a bigger scale easily, after the product was created once. Only maintenance aspects like potential server costs can increase – the initial development costs of the product will not change. [2, 5]

Digitalization enables companies to reach a global market without a material good. But digital goods introduce new challenges like a high rate of piracy, because the digital goods can easily be reproduced and distributed by the consumer, too. [2]

1.2 Scope

Scope

Scope describes the investment in customer relationships or physical distribution. [1, 3]

As described in Section 1.1, companies extended their *Scale* in the industrial era by increasing sales of products. This was limited by physical attributes such as reaching enough costumers or

physical distribution (*Scope*). Digitalization enables companies to reach a global market more easily, because the costs of communication and transportation and distribution were decreased drastically. [2, 3, 5]

Digitalization introduced new opportunities to distribute products - for example the distribution of digital goods. Partnerships between businesses became more important and the relationships to the customer are primarily build online. A website for distribution and online customer support often replace the personal experience of direct communication between a seller and a customer. [2, 3, 5]

1.3 Speed

Speed

Speed describes the pace in which existing capabilities are improved and new capabilities are developed. [1, 3]

Digitalization has accelerated the pace of business operations. As already mentioned in Section 1.1 and 1.2, the product development cycles have shortened and become more easy and the existence of digital goods changed the whole market. [2, 3]

But with the increase of *Speed* the customer expectations adapted and the expectations for the *Speed* of a company have increased. [5]

Overall, digitalization has transformed the business landscape by increasing the potential and rate for *Scale*, expanding the *Scope* of activities, and accelerating the *Speed*. Companies are trying to adapt to these changes by continuously monitoring and adjusting their strategies to succeed in the digital era. Failure to do so can leave them at a disadvantage, because the customer expectations are constantly growing. [3, 4, 5]

2 Fast movers

3 Requirements to become a fast mover

References

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