

UMEÅ UNIVERSITY

MANAGING THE DIGITAL ENTERPRISE

Individual Assignment 2

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October 16, 2023

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1 Digital Transformation in Incumbent Companies

The digitalization of business and organization has a notable impact on companies, reshaping their operations and competitive strategies. The businesses are changing constantly and rapidly to adapt to shifting market conditions and evolving circumstances. [1, 2]

TODO

In today's rapidly evolving business landscape, the digitalization of business and technology environments has emerged as a defining force, reshaping the competitive dynamics across various industries. This transformation has profound implications for incumbent companies—established organizations that have long held a dominant position within their respective sectors. In this exploration, we delve into the factors that are intricately linked to the digitalization of incumbent companies and the compelling motivations that drive them to embark on a journey of digital transformation. The adaptation to these digital forces is not just a choice but often a necessity for incumbent companies seeking to remain relevant and competitive in a world where technology and customer expectations are in constant flux. This chapter sheds light on three critical factors that underpin this imperative transformation, outlining both how and why they exert pressure on incumbent firms to embrace digitalization. Through this examination, we gain insights into the complex interplay of technological evolution, market demands, and strategic imperatives that propel incumbent companies into the digital age.

The digitalization of the business and technology environments has been a transformative force for incumbent companies across various industries. Three key factors related to this digitalization and their motivations for engaging in digital transformation are:

Incumbent company

Incumbent company refers to a well-established entity that has a significant presence and history within a particular industry or market. These companies have been in operation for a long period, often for many years or decades, and have typically achieved a level of market leadership, brand recognition, and customer base. [1, 2]

1.1 Changing Consumer Expectations

TODO

Motivation: As technology advances, consumers have come to expect seamless and personalized experiences when interacting with businesses. Whether it's e-commerce, mobile apps, or customer service, consumers demand easy access, instant responses, and tailored solutions.

Impact: Incumbent companies must adapt to these changing expectations to remain competitive. Traditional brick-and-mortar businesses are forced to establish an online presence and enhance

their digital channels to engage with tech-savvy customers effectively. Companies that fail to meet these expectations risk losing market share.

1.2 Emerging Technologies and Competitive Disruption

TODO

Motivation: Startups and tech-native companies often leverage cutting-edge technologies to disrupt established industries. Innovations like artificial intelligence, blockchain, Internet of Things (IoT), and data analytics are reshaping industries and enabling new business models.

Impact: Incumbent companies face the risk of being left behind by competitors who leverage these technologies for cost-efficiency, improved customer experiences, or entirely new offerings. To remain relevant and competitive, they must adopt digital strategies, embrace innovation, and incorporate these emerging technologies into their operations.

1.3 Data-Driven Decision-Making

TODO

Motivation: The digital environment generates vast amounts of data that can be harnessed for insights, predictions, and informed decision-making. Companies that effectively use data analytics gain a competitive edge by understanding customer behavior, optimizing operations, and predicting trends.

Impact: Incumbent companies may have large datasets accumulated over the years. To unlock the potential of this data, they need to invest in data analytics tools and expertise. Data-driven decision-making enables them to enhance efficiency, personalize customer experiences, and uncover new revenue opportunities.

In summary, changing consumer expectations, competitive disruption driven by emerging technologies, and the potential of data-driven decision-making motivate incumbent companies to engage in digital transformation. Adapting to these factors is crucial for their survival and long-term success in the digital age. Companies that resist these changes risk becoming obsolete, losing market share, and missing out on opportunities for growth and innovation.

2 Key challenges for established companies

3 Strategies for overcoming challenges

References

- [1] Venkat Venkatraman. *The digital matrix: new rules for business transformation through technology*. LifeTree Media, 2017.
- [2] George Westerman, Didier Bonnet, and Andrew McAfee. *Leading digital: Turning technology into business transformation*. Harvard Business Press, 2014.