Umeå University

Managing the Digital Enterprise

Individual Assignment 1

Pina Kolling

supervised by

Dr. Daniel Skog

and

M. Sc. Ramy Shenouda

September 25, 2023

Contents

1 Effects of digitalization **2**
1.1 Scale 2
1.2 Scope 2
1.3 Speed 3

2 Fast-movers **3**

3 Requirements to become a fast mover **4**

References **5**

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. [2, 4]
Scope	describes the investment in customer relationships or physical distribution. [2, 4]
Speed	describes the pace in which existing capabilities are improved and new capabilities are developed. [2, 4]

Scale, *Scope* and *Speed* are also referred to as the three dimensions of digital business. [2, 4]

1.1 Scale

Scale

Scale refers to the size and reach of an organization, for example the rate at which products are created. [2, 4]

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. [3, 4, 6]

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. [3, 6]

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. [3]

1.2 Scope

Scope

Scope describes the investment in customer relationships or physical distribution. [2, 4]

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 distrubution (*Scope*). Digitalization enables companies to reach a global market more easily, because the costs of communication and transportation and distribution were decreased drastically. [3, 4, 6]

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. [3, 4, 6]

1.3 Speed

Speed

Speed describes the pace in which existing capabilities are improved and new capabilities are developed. [2, 4]

Digitalization has accelerated the pace of business operations. As already mentioned in Section 1.1 and 1.2, the product development cykles have shortened and become more easy and the existence of digital goods changed the whole market. [3, 4]

But with the increase of *Speed* the customer expectations adapted and the expectations for the *Speed* of a company have increased. [6]

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 suceed in the digital era. Failure to do so can leave them at a disadvantage, because the customer expectations are constantly growing. [4, 5, 6]

2 Fast-movers

Fast movers have the ability to recognize opportunities and respond to challenges rapidly. [1, 4]

Fast-mover

Fast-movers refers to companies or organizations that can adapt quickly to changes in their environment, for example market shifts, technological developments or competitive pressures. [1, 4]

The concepts of *Scale*, *Scope* and *Speed* can be used to explain how organizations become fast-movers. Those concepts were explained in Section 1.

- ***Scale*** refers to factors like the market share or production capacity. A company that is a fast-mover has to scale to their advantage in consideration of the current market situation. A significant presence in their field will lead to more capital and more attention, which can for example lead to better educated workers or other opportunities. [1, 4]
- ***Scope*** describes the range of activities and markets in which a company is involved. A broad *Scope* is allowing diversity and reducing risks and can also lead to access to a wider variety of customers, which can be an advantage when the company quickly adapts to changes. [1, 4]

Speed is the most crucial element in becoming a fast mover, because of the importance of quick adaption to changes, dynamic organization structures and previously described adjustments of *Scale* and *Scope*. [1, 4]

- ***Speed*** describes the ability to make quick decisions and execute strategies fast, which leads to a quick respond to changes in the market. To be able to have this agility, a company often requires an open mindset towards innovation, short and direct decision making processes and efficiency in execution. [1, 4, 6]

Becoming a fast-mover requires a balance between *Scale*, *Scope*, and *Speed*. Companies that can control these elements can adapt to changing circumstances and new opportunities. This is neccessary to defy the competition in today's dynamic markets.

3 Requirements to become a fast mover

References

[1] Francisco Betti, Enno de Boer, and Yves Giraud. "Industry's fast-mover advantage: Enterprise value from digital factories". In: *World Economic Forum and McKinsey & Company: Atlanta, GA, USA*. 2020.

[2] David Ing. *Slides for the ABI Focus Series*. 2001. URL: `http://www.systemicbusiness.org/pubs/2001_IBM_ABI_Scale_Scope_Speed.pdf`.

[3] Thierry Rayna. "Understanding the challenges of the digital economy: The nature of digital goods". In: *Communications & Strategies* 71 (2008), pp. 13–16.

[4] Venkat Venkatraman. *The digital matrix: new rules for business transformation through technology.* LifeTree Media, 2017.

[5] George Westerman, Didier Bonnet, and Andrew McAfee. *Leading digital: Turning technology into business transformation.* Harvard Business Press, 2014.

[6] Prof. Dr. Manuel Wiesche. *Lecture notes in Digitalisierung.* 2021.