Columbia Business School
Executive Education

Digital Strategies for Business Transformation (Online)

Module 1: The Five Domains of Digital Transformation

Quick Reference Guide

Learning Outcomes

1. Define digital transformation.
2. Identify examples of digital transformers.
3. Explain why digital transformation is primarily a challenge of strategy and mindset over technology.
4. Assess the strengths and opportunities of an organization using the five domains of digital transformation as a guide.

Digital Transformation

It is the adaptation of an established business to thrive in a digital age of constant change.

Example of digital transformation in established organizations

- The New York Times
    - Shifted their business model from primarily focused on advertising revenue to run primarily on subscriber revenue
- Walmart
    - Identified its unique strengths, advantages, and capabilities, and leveraged their uniqueness in both the digital and physical realms
- Mastercard
    - Grew in areas related to cybersecurity and identification systems
    - Tapped into their network of commercial data to create predictive analytics models for B2B business partners

The challenge of digital transformation lies in learning to reimagine the organization, and rethinking the fundamental, strategic definition of the organization and its opportunities.

The Five Domains of Digital Transformation

- Customers: how do you need to think differently about your relationship to customers in the digital era?
- Competition: how are the dynamics of competition different in the digital era than they were before?
- Data: how do you need to think differently about the role of data in organizations today?
- Innovation: how do you manage the process of innovation differently and understand what it means in your organization?
- Value: how do you redefine your organization's value proposition?

Customers

In the analogue era, organizations treated customers as passive targets whom they could reach via marketing messages for delivering goods and services. Today, organizations treat customers like a network with nodes constantly interacting and sharing information via digital tools.

Competition

- In the digital era, competition is a non-zero-sum game where organizations are competing across industry boundaries that are increasingly fluid and vague
- Organizations are competing and collaborating at the same time in different ways
- In many organizations, you are competing on the value that you can bring together from other parties around multi-sided business models

Data

Data in the digital era is a core strategic asset that any organization can use to:

- Unlock new value
- Create new innovations
- Deliver more value to the market

Alibaba used data as a strategic asset to:

- Develop and innovate new financial products, such as a credit scoring system
- Provide access to loans and capital, mutual funds and insurance, and other financial services products

Innovation

Managing the risk of innovation:

- Traditionally people planned and performed detailed business cases before investing in a new venture
- In the digital era, people managed risk not through planning but through learning

The traditional approach of experimentation

The traditional approach of innovation consists of coming up with an idea, building a product, and taking it to the market hoping it would succeed.

Innovation by rapid experimentation

Innovation by rapid experimentation consists of generating an idea, designing a prototype, and testing with customers, collecting their response, and building a scalable service, coding, and designing an actual digital recommendation engine. Rapid experimentation of ideas cost less time and money; therefore, it is quicker to get to the winning product or service that creates growth in the marketplace.

Value

In the digital era, the shift in value proposition is from focusing on how you sustain your current organization and defend it from changes happening in the digital world to thinking about continually adapting, staying ahead, and looking for new sources of value.

How organizations can adapt their offerings in the digital era

They should focus on their core customers, and created value for them by:

- Creating a digital version to address the changing needs of their customers in the digital era
- Evolving and creating new tools and services to better support their customers