

Digital Strategies for Business Transformation (Online)

Module 8: Disruptive Business Models

Quick Reference Guide

Learning Outcomes

1. Create and analyze a new business idea using the disruptive business model map.
2. Identify organizational barriers to digital transformation.
3. Reflect on program content and describe key takeaways that will impact your digital business strategy.

Disruptive Business Model Map

Disruption happens when an existing industry faces a challenger that offers far greater value to the customer in a way that existing firms cannot compete with directly.

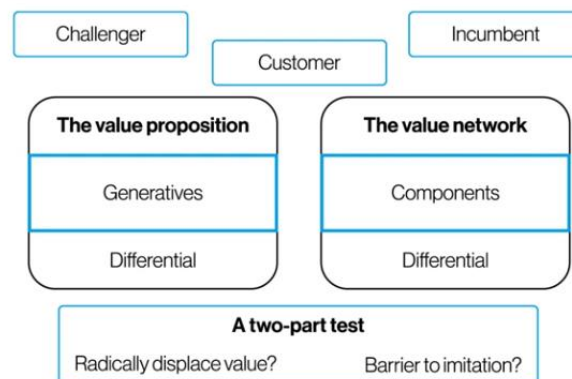
A disruptive business model describes a holistic view of how a business creates value, delivers it to the market, and captures value in return.

There are two sides of a business model:

- Value proposition: this is the value you offer to the customer.
- Value network: this is the people, the partners, the assets and all the things that enable you as a business to create, deliver, and earn revenue from the value provided.

The business model theory of disruption states that disruption happens when a challenger enters with a value proposition that dramatically displaces the value provided by the incumbent, and a value network that creates a barrier to imitation by the incumbent.

The Disruptive Business Model Map



The Disruptive Business Model Map creates and analyzes a new business idea using by describing the eight elements:

- The challenger business
- The incumbent business
- The target customer
- The value proposition of the new business idea
- How the new idea will displace the value of the incumbent
- The value network components that are necessary for this new idea to succeed
- Which value network components are different from the incumbent
- How or why the idea is generally disruptive based on the two-part test

There are three variables of disruptive business models

- Customer trajectory
- The scope of disruption
- Multiple incumbents

The six incumbent responses:

- Becoming the disrupter
 - Acquire
 - Launch
 - Split
- Mitigating losses
 - Refocus
 - Diversify
 - Exit

Organizational Barriers to Digital Transformation

- No shared vision: organizations often embark on transformation without a clear vision of what it means for their business
- No priorities for growth: no clear priorities for growth in digital transformation; rather, organizations are focused on adding efficiency to what they have always done before
- No focus on experimentation: rather than focusing on experimentation to accelerate transformation and find the path to growth, organizations remain stuck in the process and habits of extensive planning, business models, business cases and benchmarking of others
- No flexibility in governance: this prevents organizations from launching new products and disrupting the market
- Organizations' investment capabilities (IC): organizations may try to adapt to the digital era without changing and investing in new capabilities, technology, skills and talent, and they may fail to instill a new organizational culture

Key Takeaways That Will Impact Your Digital Business Strategy

- Digital transformation is the adaptation of an established business to thrive in the digital age of constant change.
- It is not only about technology but involves strategy, leadership, and new ways of thinking.
- There are five domains of digital transformation: customers, competition, data, innovation, and value.
- The five barriers to digital transformation: No shared vision, no priorities for growth, no focus on experimentation, no flexibility in governance, and Organizations' investment capabilities (IC)
- Digital transformation is a continuous process (not a project with a start and end date).